

Santa Clara Valley Water District
San Jose, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 1999

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Santa Clara Valley Water District

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San Jose, California

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 1999

Prepared by the General Accounting Services Unit
Olga Martin Steele, Business Resources Group Manager
Rudolph M. Muravez, Deputy Group Manager/Chief Financial Officer
Stephen D. Conway, Chief Accounting Officer/Controller

SANTA CLARA VALLEY WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 1999

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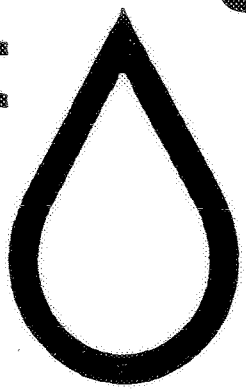
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Santa Clara Valley
Water District



Santa Clara Valley Water District
San Jose, California

Introductory Section

Santa Clara Valley Water District

5750 ALMADEN EXPWY
SAN JOSE, CA 95118-3686
TELEPHONE (408) 265-2600
FACSIMILE (408) 266-0271
www.scvwd.dst.ca.us
AN EQUAL OPPORTUNITY EMPLOYER

December 21, 1999

Board of Directors
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3686

We are pleased to submit this Comprehensive Annual Financial Report (CAFR) for the Santa Clara Valley Water District (the District) for the fiscal year ended June 30, 1999, as prepared by the staff of the Business Resources Group.

The District is responsible for the accuracy, completeness, and fairness of the data presented, including all disclosures. To the best of our knowledge and belief, the data included in this report is accurate in all material respects and is reported in a manner designed to represent fairly the financial position and results of operations and cash flows of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in three sections: **Introductory, Financial**, and **Statistical**. The introductory section includes this transmittal letter, the District's organization chart, and a list of principal officials. The financial section includes the general-purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the independent auditor's report on these financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Reporting Entity

This report includes all funds and account groups of the District. The District's general-purpose financial statements also include the funds and account groups of the Santa Clara Valley Water District Public Facilities Financing Corporation (the Corporation). Although legally separate, the Corporation was established on December 16, 1987, for the purpose of providing assistance to the District in financing various public improvements and equipment. The District is considered financially accountable for the Corporation under Governmental Accounting Standards Board Statement No. 14 - *The Financial Reporting Entity*; and the Corporation provides services entirely to the District.

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The District is a special district authorized to conduct water resource management in Santa Clara County (County). It is governed by a seven-member Board of Directors, five of whom are elected from Santa Clara County supervisorial districts and two at-large representatives appointed by County supervisors. The District's mission is to provide high quality water in sufficient quantity for present and future beneficial use by the County's lands and population and stream stewardship. Stream stewardship encompasses managing flood and storm waters within the County and protecting watersheds and riparian corridors, thereby providing for public safety, and the protection of property and the natural environment.

The District manages local reservoirs and the County's groundwater sub-basins. It imports water, engages in programs aimed at protecting the quality of its water sources, designs and builds water conveyance facilities, and operates water treatment plants. The District delivers treated water and replenishes groundwater to retail agencies that service communities within the County with their own distribution systems. The District provides flood protection and stream stewardship projects, operations, and maintenance along creeks and rivers and at the edge of the San Francisco Bay.

The District has five flood control zones corresponding to major watersheds. Each zone functions as a separate fiscal entity with its own budget and advisory committee. The District also engages in storm water and watershed management programs.

ECONOMIC CONDITION AND OUTLOOK

The District serves the County's nearly 1.8 million residents and encompasses all of Santa Clara County's 1,300 square miles in the southernmost area bordering the San Francisco Bay. Better known as Silicon Valley, the County is headquarters to many high-tech companies and many thousand more industries and businesses. The County leads the other San Francisco Bay Area counties in population, size, building activity, retail sales, and effective buying income. This area is a global economic engine that currently generates exports currently valued at $40 billion, accounting for approximately 40% of California's export sales. Additionally, in the southern portion of the County, while slowly giving way to encroaching subdivisions, farming continues to produce a total estimated annual crop value of $160 million.

Santa Clara County continues to have a strong economy. Total assessed value of the County in 1998-99 is $144 billion, with an annual tax and assessment to the District of $65 per year for an average home valued at about $300,000.

Property tax revenue constitutes about thirty percent of the District's funding sources. In recent years, state legislators have reviewed how property tax revenue is allocated among local agencies. In 1992, the state legislature adopted a budget that shifted ten percent of the District's property tax revenues to schools; the effect was a permanent annual revenue loss of $1.3 million. The possibility of similar reallocations makes this a less reliable revenue source when planning future funding of projects and programs. In addition, the District faces funding challenges as a result of cuts to state and federal flood protection funding programs. The voter-approved benefit assessments that fund flood protection activities and projects will be reduced in the year 2000, except for 1.25 times annual debt service on outstanding long-term debt.

Funds received by the District in fiscal year 1998-99 from State of California Department of Water Resources for reimbursements of about $9 million to the District for specific costs of flood protection projects in the County, including approximately $5 million for the downtown San Jose Guadalupe River project, and approximately $4 million for the Coyote Creek project.

The District is in the process of preparing a comprehensive flood protection and stream stewardship program for the next decade and developing a funding source for this program to take to the voters in 2000 to fund such a program in the future.

MAJOR INITIATIVES

Current Year

Beginning in 1995/96, the Santa Clara Valley Water District Board of Directors began addressing six priority issues it identified as critical areas the district needed to focus its efforts upon-water supply, flood management, environmental mandates and concerns, integrated water resources management, internal and external communication, funding and costs. In 1997, work environment was added as a seventh priority issue. Following its long term priority issues review held in fall 1997 and spring 1998, the board's priority issues continued to focus in the same general areas, but were combined into four categories-water supply, flood management, stream/watershed management, and work environment. During fiscal year 1998/99, staff focused on these enhanced long-term priority issues, while integrating specific measures of success into the district's performance structure and ultimately its corporate and strategic planning efforts. At the close of the fiscal year, the District Board was making significant progress in establishing a new method of policy governance, with implementation scheduled during the next fiscal year.

(1) Water Supply Challenges

The goal of the water supply priority is to provide reliable, affordable and high quality water now and in the future by enhancing supply and system flexibility. Each year, the District provides more than 114 billion gallons of drinking water to residents, farms and businesses of Santa Clara County. This demand requires the District to operate and maintain a complex delivery and treatment system that includes three drinking water plants, 10 reservoirs, a state-of-the-art water quality laboratory, 18 groundwater recharge facilities, three pump stations and more than 165 miles of canals, tunnels, and pipelines. In 1998-99, District engineers responded to unusual conditions encountered during a scheduled routine inspection of the outlet pipe of the Lenihan Dam. To ensure public safety, a level one emergency was declared on August 29, 1998. District engineers and dam safety experts managed a series of complicated inspections and repairs to the 1,400 foot long, 50-inch diameter outlet pipe running through Lenihan Dam that empties water from Lexington Reservoir into Los Gatos Creek. Damaged sections of pipe were repaired under District staff supervision, working closely with the state Division of Safety of Dams, ensuring that the pipe operates properly. To ensure there is enough water to meet future needs, the District began strengthening its supplies while also managing demand. Implementation has begun on elements of the Integrated Water Resources Plan, a multiphase project to develop a community-supported water supply plan through the year 2020. In addition, water conservation programs for the public have been initiated to manage demand for water, and staff began developing an agricultural water management program. Maintaining safe drinking water is a fundamental aspect of the water supply challenges. A current concern is MTBE, (methyl tertiary butyl ether), detected at nearly 300 leaking underground storage tank sites throughout the county and at low levels in local reservoirs. Staff took action authoring the state's first guidelines

for owners of leaking underground fuel tanks on how to deal with the problem, developing guidelines for boating on local reservoirs limiting the possibility of MTBE contamination, and launching a long-term, $1.7 million program to protect the county's groundwater basin from the effects of MTBE contamination.

(2) Flood Management Challenges

The goal of the flood management priority was to conduct a community supported flood management program that protects lives and property, while being financially accountable, providing good value and being environmentally sensitive. Key flood management challenges included: 1) developing a community-supported flood program to analyze program revenue streams in consideration of the pending expiration of benefit assessments; 2) continuing work on seven major flood protection projects throughout the county; and 3) strengthening flood plain management. In meeting its flood management objectives for FY 1998/99, staff was pleased to publish its first Flood Protection and Stream Management Business Plan. Funding issues were enhanced by staff successfully pursuing the State's Department of Water Resources Flood Control Subventions Program, with approximately $9 million of funding approved by the State for the District in 1999/2000. Federal cost sharing efforts continued on a variety of projects, including the Llagas and Upper Penitencia Creeks. During winter of FY 1998/99, the District conducted a winter preparedness campaign reaching local communities through radio, television, and newspapers with information they could use to protect themselves from flooding. Another proactive significant effort resulted in the District achieving countywide credit for a 5% rate reduction for rate payers for flood insurance. Flood protection accomplishments included completion of construction of the final reach of Calabazas Creek from San Francisco Bay upstream to Miller Avenue in Cupertino, dispute resolution on the Guadalupe River project thereby enabling the project to move forward and the Feasibility Reports and Environmental Impact Statements completed for the Upper Guadalupe River and Adobe Creek projects, allowing the District to move to the design phase of the projects.

(3) Stream/Watershed Management

The goal of the stream/watershed management priority was to manage district activities to be reflective of stewardship of watersheds and riparian corridors. The District accomplished a number of key objectives in addressing its stream/watershed goals. District staff tested the community's receptiveness and willingness to fund stream and habitat enhancements as part of its implementation of the Board-adopted Community Outreach Plan. Staff also increased community participation in the Adopt-A-Creek Program and the Santa Clara Basin Watershed Management Initiative. Staff coordinated releases from District reservoirs for its water supply objectives, including releases to support the riparian habitat. District staff completed the design of 5 fish ladders on Upper Penitencia, Coyote, and Guadalupe Creeks. Construction contracts were awarded and construction was in various stages of completion at fiscal year end. District personnel performed revegetation work on Guadalupe Creek, Guadalupe River, Llagas and Coyote Creeks. The District's new headquarters building was built using Best Management Practices for stormwater pollution prevention. The District removed two barriers to fish passage on the Guadalupe River and took proactive steps to establish shaded riverine aquatic habitat along Guadalupe Creek and secured funding for the second phase of the project. To address environmental mandates and concerns, the District initiated the Environmental Strategy Project to help facilitate coordination of environmental aspects of projects; addressed specific riparian habitat issues, including the Guadalupe River Fish Ladder Project and the Red-Legged Frog Habitat Plan; worked on Bay-Delta environmental issues; and continued environmental compliance programs.

The District continued to implement a watershed management approach that addresses land use, flood management, water supply, water quality, public outreach, financial and other regional concerns; and developed a reservoir protection and watershed management program based on source water protection requirements specified in the 1996 Safe Drinking Water Act.

(4) Work Environment

The District's strategic goal is to achieve and maintain a diverse workforce within a positive work environment fostering enhanced teamwork and overall productivity. Major challenges to address improvement in the work environment focused on 1) addressing organizational cultural issues and 2) enhancing the work environment. By fiscal year end 1999, a majority of employees completed their training in valuing differences and harassment prevention. In addition, the District Non-discrimination Plan was updated and implemented, contract administration and compliance program reviews were initiated, District values statements were emphasized to staff, and an outreach program to promote the District as an equal-opportunity employer continued to be emphasized.

Completed in June of 1999, the new Headquarters Building consolidated employees, many of whom worked in satellite facilities. Other key projects included an Occupational Safety and Health Administration evaluation and improvement program; employee training and development; implementation of the 2-year District-wide classification and compensation study; and health, safety, and wellness program expansion.

Future Years

The District will continue to refine a proposed flood protection and stream stewardship program towards taking a proposed funding source to take to the voters in the year 2000. Flood protection effort work will continue to be responsive to community values that include public safety and environmental sensitivity. Key capital projects include flood protection for the Matadero and Barron creeks long-term remediation project, working with San Francisquito Creek Joint Powers Authority to deal with flooding and environmental issues in that watershed. Also, the creation of a significant wetlands site along Guadalupe Creek, and flood protection for the heart of downtown San Jose by continuing construction of the final reach of the Downtown Guadalupe Project as negotiated by the Guadalupe Collaborative process. Special effort will be placed on accelerating flood protection and stream stewardship work in the Coyote Watershed, and work will also continue on the Llagas Creek project in the South Zone.

District administration staff will focus their efforts on various process improvements in the coming year. These processes include hiring, evaluation, and promotion of District employees with an emphasis on openness, fairness and diversity. Administration will help create reporting processes that will facilitate Board policy governance in the future, ranging from Board policies and executive limitations, to monitoring reports based on performance/productivity or outcome-based measures. System improvements will include the next phase of the payroll upgrade system and various components of the main computer system, and taking necessary measures to ensure Y2K readiness and compliance for plant and administrative operations.

A major water utility project that will be continuing for several years is the $138 million Water Treatment Plant Improvement Project to comply with new water quality regulations. Upon completion, the three water treatment plants will use ozone as the primary mode of disinfection, thereby decreasing the use of chlorine compounds and production of their associated by-products.

This will increase the healthfulness and aesthetics of the water delivered to the residents of Santa Clara County.

The Board of Directors has commissioned a performance audit of the water utility that will be completed by April 2000. The utility will begin implementing the findings from the performance audit in fiscal year 2000, and implementation will continue into fiscal year 2001 and possibly longer. The water utility will continue to expend special effort on federal and state water policy and regulatory matters that affect the District's imported water purchases. Recent legal and regulatory decisions threaten the ability of the state's major water projects to move water through the Sacramento-San Joaquin River Delta to the Santa Clara Valley Water District and other contractors south of the Delta. The water utility will work to maintain the reliability of its imported water supplies and will pursue water banking, conservation, and recycling opportunities to augment its supplies.

FINANCIAL OVERVIEW

Internal Controls

Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of the general-purpose financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that there are limitations inherent in any system of internal controls. The cost of a control should not exceed the benefits derived which require estimates and judgment by management.

Budgetary Controls

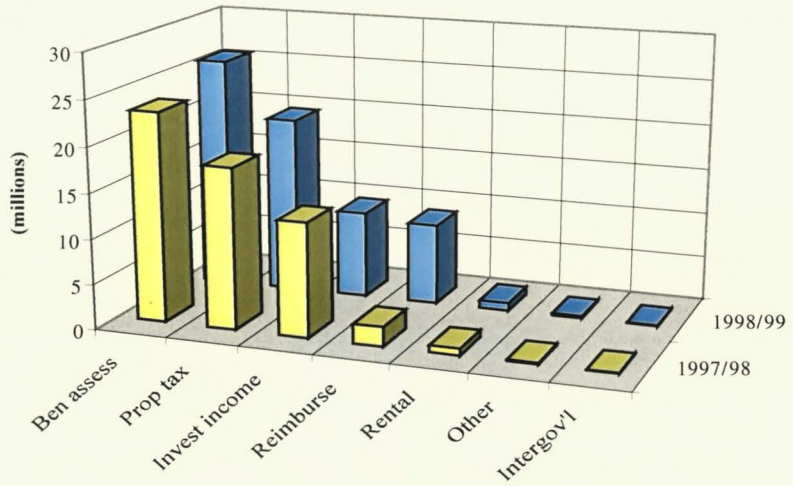
The District maintains budgetary controls, the objectives of which are to ensure the compliance with legal provisions embodied in the annually appropriated budget approved by the District Board of Directors. Activities of the general fund, special revenue funds, and proprietary funds are included in the annual appropriated budget. Additionally, as a management tool, project-length financial plans are included in the annual Capital Improvement Plan. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further limited by two categories, the operating budget (consisting of total operations, operating projects, and debt service) and the capital budget (consisting of capital project expenditures).

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

General Governmental Functions

The following schedule presents a summary of revenues for the Governmental Funds (the general fund, special revenue funds (flood protection zones), debt service fund, and capital projects fund for the year ended June 30, 1999), and the amounts of increase or decrease in relation to the prior year:

General Governmental
Sources of Revenue



	1997/98		1998/99		$ Increase	% Percent
	Amount (000's)	Percent of Total	Amount (000's)	Percent of Total	(Decrease) over 1997/98	of Increase (Decrease)
Revenue Source:						
Property taxes	$ 17,831	30.13%	$ 19,591	31.39%	$ 1,760	9.87%
Benefit assessments	23,184	39.54%	25,711	40.82%	2,527	10.90%
Intergovernmental services	51	0.13%	82	0.09%	31	60.78%
Investment income	12,673	14.79%	9,613	22.31%	(3,060)	-24.15%
Rental	746	1.31%	855	1.31%	109	14.61%
Reimbursement of capital costs	2,152	13.79%	8,965	3.79%	6,813	316.59%
Other	161	0.31%	213	0.29%	52	32.30%
Totals	$ 65,030	100.00%	$ 56,798	100.00%	$ 8,232	14.49%

Property tax revenue increased 9.87% primarily due to revised assessments, property sales, and new construction. Benefit assessments increased 10.90% primarily due to a 3% CPI increase, and a one-time special assessment related to the 1997 El Niño flooding events in the flood control zones. Intergovernmental service revenues increased 60.78% as result of being subject to natural occurrences of disaster events, project eligibility, and available appropriations funded by each participating agency. As such, these revenues have a high degree of fluctuation and low comparability from year to year.

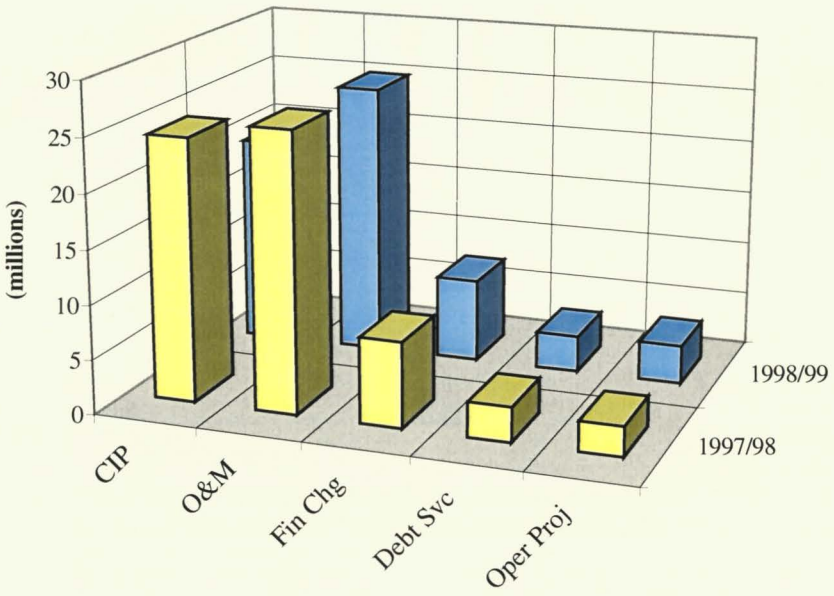
Investment income decreased 24.15% primarily as a result of a decline in the value of the portfolio and reduced portfolio size due to budgeted draws on reserve balances for capital projects. Rental revenues increased 14.61%, representing an increase in rental rates to remain current with the marketplace. Reimbursement of capital costs increased by 316.59% as result of being subject to opportunities for joint funding; project eligibility; and available appropriations and funding by State and Federal agencies. As such, this revenue source has a high degree of fluctuation and low comparability from year to year. Other revenues increased 32.30% from the prior year, primarily due to utility

reimbursements and site clean-up rebates from the State of California Underground Storage Tank Program.

The following schedule presents a summary of expenditures for general government purposes that include the general fund, special revenue funds, debt service fund, and capital project fund for the fiscal year ended June 30, 1999 and the amounts of increase or decrease in relation to the prior year:

General Governmental

Expenditure Type



	1997/98		1998/99		$ Increase (Decrease) over 1997/98	% Percent of Increase (Decrease)
	Amount (000's)	Percent of Total	Amount (000's)	Percent of Total		
Expenditure Type:						
Current:						
Operations and maintenance (O&M)	$ 25,735	40.34%	$ 25,309	42.67%	(426)	-1.66%
Operating projects	2,753	4.32%	3,549	5.98%	796	28.91%
Capital improvements projects (CIP)	24,263	38.03%	19,403	32.72%	(4,860)	-20.03%
Debt Service:					-	
Principal	3,205	5.02%	3,360	5.67%	155	4.84%
Interest and fiscal charges	7,840	12.29%	7,687	12.96%	(153)	-1.95%
Totals	$ 63,796	100.00%	$ 59,308	100.00%	$ (4,488)	-7.03%

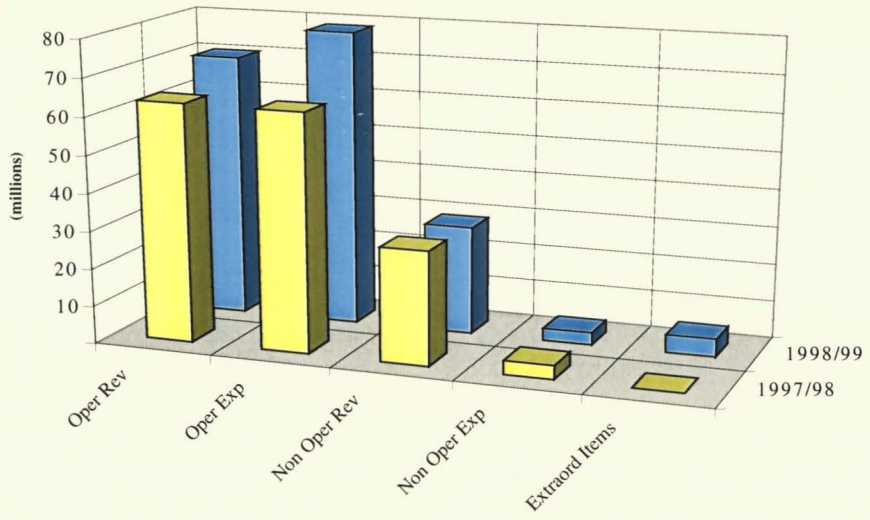
Operations and maintenance expenditures were relatively constant between fiscal years. Operating projects increased 28.91% from the prior year due to increased expenditure activity in the Comprehensive Flood Management Project and the implementation of the payroll system upgrade.

Proprietary Operations

Enterprise fund: The Water Enterprise is a fund that accounts for operations in a manner similar to private business enterprise. Operations are accounted for in such a manner as to show net income or loss and the fund is intended to be entirely or predominantly self supported from user charges.

Comparative data for the Water Enterprise for the last two fiscal years is presented in the following summary:

Water Enterprise



	1997/98 Amount (000's)	1998/99 Amount (000's)
Operating revenues	$ 63,383	$ 70,251
Operating expenses	63,139	78,626
Operating income (loss)	244	(8,375)
Nonoperating revenues	30,025	28,776
Nonoperating expenses	3,605	3,234
Extraordinary loss - Lenihan Outlet	-	4,709
Net income	$ 26,664	$ 12,458

Operating revenues increased 10.84% due to increased treated water sales over the prior year and a Board approved rate increase. Operating expenses increased 24.53% due primarily to increased purchased water cost, special water conservation outlays (City of San Jose) and general maintenance increases in source of supply and transmission and distribution cost centers. Net income decreased 53.28% from the prior year due to increased operating expenses and lower water sales demand than anticipated for the current year.

Internal Service Funds: The District has two internal service funds, the Equipment Fund and the Risk Management Fund. Revenues to the funds are generated from fees charged to District operating programs for services provided.

The Equipment Fund charges replacement and maintenance to all operations and projects based on equipment assignment or hourly usage of equipment on projects. Comparative data for the last two fiscal years are shown below:

	1997/98 Amount (000's)	1998/99 Amount (000's)
Operating revenues	$ 2,731	$ 3,543
Operating expenses	2,944	3,665
Operating (loss)	(213)	(122)
Nonoperating revenues and Operating transfer in	833	975
Net income	$ 620	$ 853

Net income in the Equipment Fund for the fiscal year ended June 30, 1999 was 37.58% higher than the previous year due primarily to an increase in revenues resulting from a new charge initiated in FY 1998-99 for computer equipment user charges.

The Risk Management Fund charge premiums based on exposure levels by project for liability, property, worker's compensation and self-insurance costs.

Comparative data for the last two fiscal years for the Risk Management Fund are presented in the following summary:

	1997/98 Amount (000's)	1998/99 Amount (000's)
Operating revenues	$ 2,306	$ 2,205
Operating expenses	757	2,315
Operating income (loss)	1,549	(110)
Nonoperating revenues	940	738
Net income	$ 628	$ 2,489

Net income for 1999 decreased by 74.77% primarily due to decreases in investment income and self-insurance charges, and increases in actuarial claims expense.

Debt Administration

As of June 30, 1999, the District had outstanding General Obligation Debt of $14,425,000 and total debt, including Certificates of Participation and Revenue Bonds of $177,485,000. Annual debt service expenditures are planned to be relatively constant in the next five years. There are no balloon payments or significant fluctuations in annual debt service in future years, other than the gradual decline in debt service due to the retirement of outstanding debt.

The District's debt issuance practices are governed under the California Government and Water codes. The codes do not set a formal debt limit for water districts, however, the District Act (special state legislation authorizing the original incorporation of the District) provides for a specific limit on short term debt (maturity of less than five years) of $8,000,000. As of June 30, 1999, the District had no short term borrowing.

The District's current Standard and Poors and Moody's Investors Service ratings on its 1994 Water Revenue Bonds and 1994 Certificates of Participation are AA, Aa and AAA, Aaa, respectively.

Cash Management

The District Board adopted an investment policy with objectives to (1) preserve and safeguard principal, (2) provide liquidity for the prompt payment of claims and expenses, and (3) provide yield. The provisions of the California Government Code were also incorporated into this policy. Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, commercial paper, Guaranteed Investment Contracts, obligations of the U.S. Treasury, obligations of U.S. Government Agencies, repurchase agreements, medium term notes, and the State of California Local Agency Investment Fund. All securities purchased were held by the District's third party safekeeping agent. At June 30, 1999 approximately 64% of the District's idle funds were invested in obligations of U.S. Government Agencies, 8% invested in U.S. Treasury obligations, 15% invested in the State of California Local Agency Investment Fund, 1% invested in commercial paper, 2% in medium term notes, and 10% invested among mutual funds and others. The portfolio yield for the year averaged 5.73% which compares favorably to the average yield of 4.74% for U.S. Treasury Bills for the same period.

Risk Management

The District Risk Management Program is responsible for managing the District's insured and self-insured programs, and providing consulting services to all groups regarding identifying, controlling, transferring, or eliminating exposure to loss from general liability, property loss, and worker's compensation claims.

The District has a $2,000,000 per-occurrence Self-Insured Retention (SIR) for general liability claims and $250,000 per occurrence SIR for worker's compensation claims. Above these SIRs, the District has $40,000,000 excess liability insurance and statutory limits plus $2,000,000 employer's liability for workers' compensation claims. Additional coverages include $5,000,000 non-owned aircraft, $500,000,000 basic limits for property (subject to policy sub-limits) and $2,000,000 blanket faithful performance and employee dishonesty coverage for employees. All third party commercial insurance protection is placed with insurers with Best's Rating for security of A (Excellent) or higher and financial size ratings of VII or greater.

Actuarial studies are performed biannually for the self-insured liability and workers' compensation program and funded reserve levels are at the 95th percentile confidence level. Additional reserves are maintained for catastrophic losses and uninsured exposures. Individual case reserves for liability and workers' compensation are periodically reviewed during each fiscal year for appropriateness in relation to evolving developments. Periodic claims reports are generated by staff to provide sufficient, accurate data for greater actuarial study reliability.

Independent Audit

In accordance with the District Act, an independent annual audit is required of its general-purpose financial statements. This document includes a report of Macias, Gini & Company LLP, independent auditors for the District.

Awards

The Government Finance Officer's Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Santa Clara Valley Water District for its comprehensive annual financial report for the fiscal year ended June 30, 1998. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied Generally Accepted Accounting Principles (GAAP), the GFOA program requirements, and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and the report will be submitted to the GFOA to determine its eligibility for another certificate.

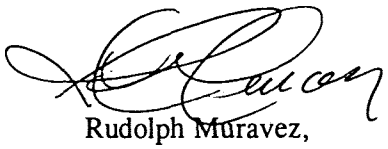
Acknowledgments

The preparation of this Comprehensive Annual Financial Report represents the culmination of months of concerted team effort by diverse District staff, including team members from General Accounting, Financial Services, Public Information, Risk Management, Information Systems Services, Information Technology, Business Support Services, District Counsel, and Business Resources Group. Many team members demonstrated a high degree of personal dedication and determination in producing this exemplary document.

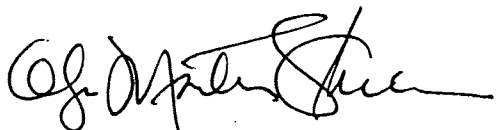
In addition, special thanks to District staff in all groups for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Macias, Gini & Company LLP is also acknowledged for the significant technical contribution and unlimited patience.

Special thanks goes to Steve Conway, Chief Accounting Officer/Controller, and the following staff: Anthony Chow, Senior Accountant, who compiled the financial statements; Robert Edris, Accountant II, who compiled the footnotes, and Guy Canha, Accountant I, for his work in preparing the statistical section. In addition, thanks to team members Mary Furey, Senior Accountant, Nancy Tien, Accountant II, Christine Wood, Accountant II, Charlene Forstner, Senior Accountant, for their efforts in preparing note disclosures

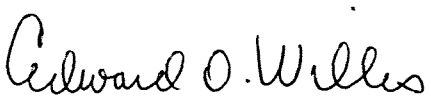
Finally, we wish to express our sincere appreciation to the District's Board of Directors and management for providing policy direction and a firm foundation of support for pursuit of excellence in all realms of professional endeavors.



Rudolph Muravez,
Chief Financial Officer



Olga Martin Steele,
Business Resources Group Manager

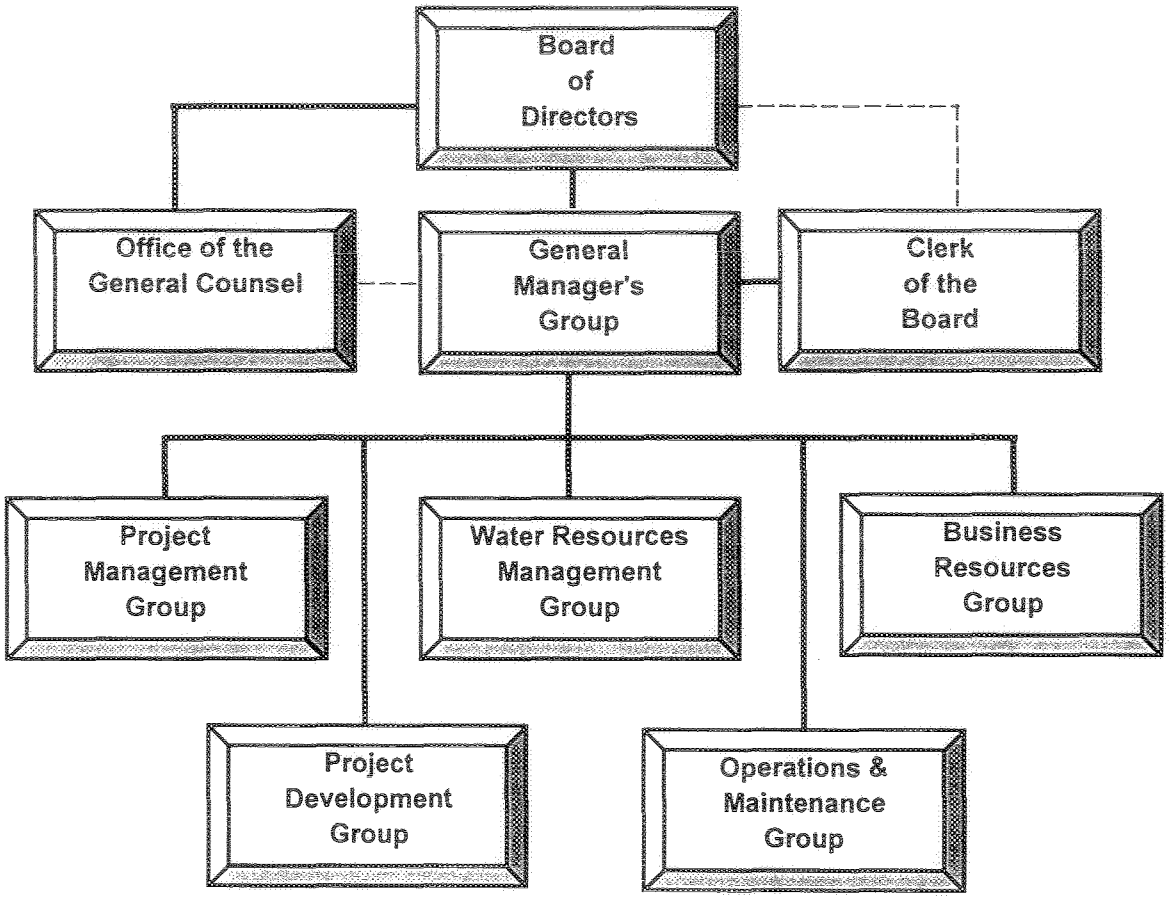


Edward O. Willis,
Assistant General Manager



Stanley M. Williams,
Chief Executive Officer

General Organization



SANTA CLARA VALLEY WATER DISTRICT
DIRECTORY OF OFFICIALS
1998 - 1999

BOARD OF DIRECTORS

Larry Wilson, Chair	District 4
Gregory A. Zlotnick, Vice Chair	District 5
Rosemary C. Kamei	District 1
Joe Judge	District 2
Robert W. Gross, Ph.D.	District 3
Tony Estremera	At Large
Sig Sanchez	At Large

MANAGEMENT STAFF

Stanley M. Williams	Chief Executive Officer
Walter L. Wadlow	Assistant General Manager
Kay P. Whitlock	Assistant General Manager
Edward O. Willis	Assistant General Manager
Anthony C. Bennetti	General Counsel

Project Development Group

David J. Chesterman	Group Manager
G. Thomas Dean	Deputy Group Manager

Water Resources Group

Nai-Drwang Hsueh	Group Manager
Frank D. Maitski	Deputy Group Manager

Operations and Maintenance Group

Marc J. Klemencic	Group Manager
Michael G. Hamer	Deputy Group Manager
Jeanette L. Micko	Deputy Group Manager

Business Resources Group

Olga Martin Steele	Group Manager
Rudolph C. Maravez	Deputy Group Manager
Jose L. Peralez	Deputy Group Manager

Project Management Group

Keith W. Whitman	Group Manager
James T. Ferguson	Executive Project Manager
James M. Fielder	Executive Project Manager
Melanie A. Richardson	Executive Project Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley Water District, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

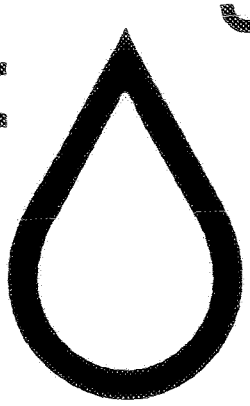
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Santa Clara Valley
Water District



Santa Clara Valley Water District
San Jose, California

Financial Section

Macias, Gini & Company LLP
Certified Public Accountants

Partners
Kenneth A. Macias
Ernest J. Gini
Kevin J. O'Connell

Mt. Diablo Plaza
2175 N. California Boulevard
Suite 620
Walnut Creek, CA 94596

925•274•0190
925•274•3819 FAX
www.maciasgini.com

To the Board of Directors of the
Santa Clara Valley Water District
San Jose, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general-purpose financial statements of the Santa Clara Valley Water District (District), as of and for the fiscal year ended June 30, 1999. These general-purpose financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with generally accepted accounting principles.

As further discussed in Note 9 to the general-purpose financial statements, the District adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The required supplementary information listed in the table of contents is not a required part of the financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the District is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining, individual fund and account group statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

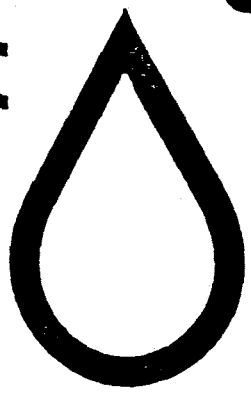
The statistical section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the District. Such additional information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

Macias, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California
November 4, 1999

Santa Clara Valley
Water District



SANTA CLARA VALLEY WATER DISTRICT

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999
(Dollars in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Cash and investments	$ 20,915	$ 159,787	$ -	$ 15,267
Restricted cash and investments	-	4,137	10,947	-
Receivables:				
Accounts	2	56	-	-
Interest	4,840	-	-	73
Taxes	13	93	-	-
Due from other governments	74	43,622	-	-
Condemnation deposits	-	11	-	-
Construction deposits	1,028	2,274	-	-
Inventory	-	-	-	-
Property, plant and equipment, net	-	-	-	-
Contract water rights, net	-	-	-	-
Deferred charges	-	-	-	-
Due from other fund	3	-	-	-
Other debits:				
Amount available for debt service	-	-	-	-
Amount to be provided for repayment of long-term debt	-	-	-	-
Total assets and other debits	$ 26,875	$ 209,980	$ 10,947	$ 15,340

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		
Water Enterprise Fund	Internal Service	Agency	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
$ 129,015	$ 20,069	$ 1,773	$ -	$ -	$ 346,826
8,211	-	-	-	-	23,295
9,085	2	56	-	-	9,201
8	-	-	-	-	4,921
112	-	-	-	-	218
328	9	403	-	-	44,436
-	-	-	-	-	11
-	25	-	-	-	3,327
176	25	-	-	-	201
310,557	4,597	-	519,269	-	834,423
18,017	-	-	-	-	18,017
113	-	-	-	-	113
-	-	-	-	-	3
-	-	-	-	10,947	10,947
-	-	-	-	119,853	119,853
$ 475,622	$ 24,727	$ 2,232	$ 519,269	$ 130,800	$ 1,415,792

(Continued)

See accompanying notes to general-purpose financial statements

SANTA CLARA VALLEY WATER DISTRICT

Combined Balance Sheet (Continued)
All Fund Types and Account Groups
June 30, 1999
(Dollars in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts payable	$ 1,841	$ 1,276	$ -	$ -
Accrued liabilities	7,651	307	-	-
Deposits payable	64	5,293	-	-
Bond interest payable	-	-	-	-
Deferred revenue	74	43,622	-	-
Due to other fund	-	-	-	3
Claims payable	-	-	-	-
Long-term debt:				
General obligation bonds	-	-	-	-
Revenue bonds	-	-	-	-
Certificates of participation	-	-	-	-
Total liabilities	9,630	50,498	-	3
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings	-	-	-	-
Fund balances:				
Reserved for:				
Encumbrances	3,997	12,520	-	-
Restricted purposes	-	4,719	-	-
Debt service	-	2	10,947	-
Unreserved, designated for:				
Operating contingencies	200	500	-	-
Working capital	1,116	17,966	-	-
Capital projects:				
Current authorized projects	3,652	41,549	-	15,337
Future capital projects	8,280	82,226	-	-
Total equity and other credits	17,245	159,482	10,947	15,337
Total liabilities, equity and other credits	$ 26,875	$ 209,980	$ 10,947	$ 15,340

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		
Water Enterprise Fund	Internal Service	Agency	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
$ 7,825	$ 184	$ 389	$ -	$ -	$ 11,515
683	-	-	-	-	8,641
104	-	1,843	-	-	7,304
306	-	-	-	-	306
328	9	-	-	-	44,033
-	-	-	-	-	3
-	3,731	-	-	-	3,731
13,340	-	-	-	1,085	14,425
33,345	-	-	-	-	33,345
-	-	-	-	129,715	129,715
55,931	3,924	2,232	-	130,800	253,018
-	-	-	519,269	-	519,269
4,378	-	-	-	-	4,378
415,313	20,803	-	-	-	436,116
-	-	-	-	-	16,517
-	-	-	-	-	4,719
-	-	-	-	-	10,949
-	-	-	-	-	700
-	-	-	-	-	19,082
-	-	-	-	-	60,538
-	-	-	-	-	90,506
419,691	20,803	-	519,269	-	1,162,774
$ 475,622	$ 24,727	$ 2,232	$ 519,269	$ 130,800	$ 1,415,792

See accompanying notes to general-purpose financial statements

SANTA CLARA VALLEY WATER DISTRICT

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended June 30, 1999
(Dollars in Thousands)

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Property taxes	$ 2,369	$ 17,222
Benefit assessments	-	25,711
Intergovernmental services	1	81
Use of money and property:		
Investment income	1,358	6,463
Rental	31	824
Reimbursement of capital costs	-	8,965
Other	176	37
Total revenues	3,935	59,303
Expenditures:		
Current:		
Operations and maintenance	7,396	17,911
Operating projects	494	3,055
Capital improvement projects	3,528	15,875
Debt Service:		
Principal repayment	-	190
Interest and fiscal charges	-	54
Total expenditures	11,418	37,085
Excess (deficiency) of revenues over (under) expenditures	(7,483)	22,218
Other financing sources (uses):		
Operating transfers in	-	6,925
Operating transfers out	(1,462)	(10,275)
Sales of fixed assets	-	1,076
Total other financing sources (uses)	(1,462)	(2,274)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(8,945)	19,944
Fund balances, beginning of year	26,190	139,538
Fund balances, end of year	$ 17,245	$ 159,482

Governmental Fund Types		Total (Memorandum Only)
Debt Service	Capital Projects	
$ -	$ -	$ 19,591
-	-	25,711
-	-	82
816	976	9,613
-	-	855
-	-	8,965
-	-	213
816	976	65,030
-	2	25,309
-	-	3,549
-	-	19,403
3,170	-	3,360
7,633	-	7,687
10,803	2	59,308
(9,987)	974	5,722
9,984	-	16,909
-	(5,925)	(17,662)
-	-	1,076
9,984	(5,925)	323
(3)	(4,951)	6,045
10,950	20,288	196,966
$ 10,947	$ 15,337	$ 203,011

See accompanying notes to general-purpose financial statements

SANTA CLARA VALLEY WATER DISTRICT

Combined Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual on a Budgetary Basis
All Budgeted Governmental Fund Types
For the Year Ended June 30, 1999
(Dollars in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	$ 2,501	$ 2,369	$ (132)
Benefit assessments	-	-	-
Intergovernmental	-	1	1
Use of money and property:			
Investment income	1,527	1,358	(169)
Rental	30	31	1
Reimbursement of capital costs	-	-	-
Other	-	176	176
Total revenues	4,058	3,935	(123)
Expenditures:			
Operating Budget:			
Operations and maintenance	27,243	23,197	4,046
Operating projects	1,986	1,191	795
Debt Service:			
Principal repayment	225	225	-
Interest and fiscal charges	545	486	59
Total operating budget	29,999	25,099	4,900
Capital Budget:			
Capital improvement projects	16,945	13,292	3,653
Total expenditures	46,944	38,391	8,553
Excess (deficiency) of revenues over (under) expenditures	(42,886)	(34,456)	8,430
Other financing sources (uses):			
Intra-district overhead reimbursement	27,274	24,558	(2,716)
Operating transfers in	-	-	-
Operating transfers out	(753)	(753)	-
Sales of fixed assets	-	-	-
Total other financing sources	26,521	23,805	(2,716)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	$ (16,365)	$ (10,651)	$ 5,714
Fund balances, beginning of year		26,190	
Reconciliation of GAAP and budgetary basis:			
Less GAAP basis accruals for salary and other liabilities		(488)	
Less prior year budgetary basis encumbrances		(1,243)	
Add current year budgetary basis encumbrances		3,437	
Fund balances, end of year		$ 17,245	

Special Revenue Funds			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 17,841	$ 17,222	$ (619)	$ 20,342	$ 19,591	$ (751)
25,350	25,711	361	25,350	25,711	361
-	81	81	-	82	82
6,782	6,463	(319)	8,309	7,821	(488)
702	824	122	732	855	123
9,664	8,965	(699)	9,664	8,965	(699)
-	37	37	-	213	213
60,339	59,303	(1,036)	64,397	63,238	(1,159)
21,950	17,621	4,329	49,193	40,818	8,375
3,415	3,269	146	5,401	4,460	941
3,135	3,135	-	3,360	3,360	-
7,182	6,393	789	7,727	6,879	848
35,682	30,418	5,264	65,681	55,517	10,164
77,473	28,518	48,955	94,418	41,810	52,608
113,155	58,936	54,219	160,099	97,327	62,772
(52,816)	367	53,183	(95,702)	(34,089)	61,613
-	-	-	27,274	24,558	(2,716)
1,000	6,925	5,925	1,000	6,925	5,925
(1,000)	(1,000)	-	(1,753)	(1,753)	-
-	1,076	1,076	-	1,076	1,076
-	7,001	7,001	26,521	30,806	4,285
$ (52,816)	$ 7,368	$ 60,184	$ (69,181)	$ (3,283)	$ 65,898
	139,538			165,728	
	(210)			(698)	
	(326)			(1,569)	
	13,112			16,549	
	$ 159,482			$ 176,727	

See accompanying notes to general-purpose financial statements

SANTA CLARA VALLEY WATER DISTRICT

Combined Statement of Revenues, Expenses and
Changes in Retained Earnings - All Proprietary Fund Types
For the Year Ended June 30, 1999
(Dollars in Thousands)

	Water Enterprise Fund	Internal Service	Total (Memorandum Only)
Operating revenues:			
Ground water charges	$ 28,779	$ -	$ 28,779
Treated water charges	41,015	-	41,015
Surface and recycled water charges	247	-	247
Vehicle service charges	-	2,536	2,536
Computer equipment use charges	-	1,000	1,000
Self-insurance charges	-	2,204	2,204
Other	210	8	218
Total operating revenues	70,251	5,748	75,999
Operating expenses:			
Sources of supply	44,650	-	44,650
Water treatment	13,138	-	13,138
Transmission and distribution:			
Raw water	6,249	-	6,249
Treated water	705	-	705
Administration and general	6,316	1,076	7,392
Equipment maintenance	-	2,680	2,680
Insurance	-	1,239	1,239
Depreciation and amortization	7,568	985	8,553
Total operating expenses	78,626	5,980	84,606
Operating (loss)	(8,375)	(232)	(8,607)
Nonoperating revenues (expenses):			
Property taxes	19,436	-	19,436
Investment income	6,766	861	7,627
Intergovernmental services	2,574	-	2,574
Gain on sale of fixed assets	-	99	99
Interest and fiscal agent fees	(3,234)	-	(3,234)
Net nonoperating revenues	25,542	960	26,502
Income before operating transfers and extraordinary loss	17,167	728	17,895
Operating transfers in	-	753	753
Income before extraordinary loss	17,167	1,481	18,648
Extraordinary loss - Lenihan Outlet	(4,709)	-	(4,709)
Net income	12,458	1,481	13,939
Retained earnings, beginning of year	402,855	19,322	422,177
Retained earnings, end of year	$ 415,313	$ 20,803	$ 436,116

See accompanying notes to general-purpose financial statements

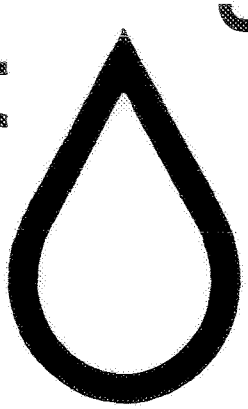
SANTA CLARA VALLEY WATER DISTRICT

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 1999
(Dollars in Thousands)

	Water Enterprise Fund	Internal Service	Total (Memorandum Only)
Cash flows from operating activities:			
Operating (loss)	$ (8,375)	$ (232)	$ (8,607)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	7,568	985	8,553
Extraordinary (loss) - Lenihan Outlet	(4,709)	-	(4,709)
Change in operating assets and liabilities:			
(Increase) / decrease in accounts receivable	(1,176)	1	(1,175)
(Increase) in due from other governments	-	(9)	(9)
(Increase) in inventory	(8)	(8)	(16)
Increase / (decrease) in accounts payable	4,200	(7)	4,193
Increase in accrued liabilities	674	-	674
Increase in deferred revenue	207	9	216
Increase in claims payable	-	184	184
Net cash provided by operating activities	(1,619)	923	(696)
Cash flows from noncapital financing activities:			
Property taxes received	19,548	-	19,548
Intergovernmental revenue received	2,368	-	2,368
Operating transfers from other funds	-	753	753
Net cash provided by noncapital financing activities	21,916	753	22,669
Cash flows from capital and related financing activities:			
Principal payments on general obligation bonds	(1,560)	-	(1,560)
Principal payments on revenue bonds	(6,520)	-	(6,520)
Interest and fiscal agent fees paid	(2,784)	-	(2,784)
Acquisition of contract water rights	(1,555)	-	(1,555)
Proceeds from sale of fixed assets	43	108	151
Acquisition and construction of fixed assets	(14,446)	(1,036)	(15,482)
Net cash used by capital and related financing activities	(26,822)	(928)	(27,750)
Cash flows from investing activities:			
(Increase) in restricted investments	(207)	-	(207)
Interest received on cash and investments	6,776	861	7,637
Net cash provided by investing activities	6,569	861	7,430
Net increase in cash and cash equivalents	44	1,609	1,653
Cash and cash equivalents, beginning of year	130,337	18,460	148,797
Cash and cash equivalents, end of year	$ 130,381	$ 20,069	$ 150,450
Reconciliation to the combined balance sheet:			
Cash and investments	$ 129,015	$ 20,069	$ 149,084
Restricted cash and investments	8,211	-	8,211
Less restricted investments	(6,845)	-	(6,845)
Total cash and cash equivalents	$ 130,381	$ 20,069	$ 150,450

See accompanying notes to general-purpose financial statements

Santa Clara Valley
Water District



For the Year Ended June 30, 1999

(1) THE FINANCIAL REPORTING ENTITY

(a) Description of the Reporting Entity

Santa Clara Valley Water District (the District) is a special district created by an act of the legislature of the State of California (the State) in 1951 and as amended. The District encompasses all of Santa Clara County (the County).

The District is governed by a seven member Board of Directors. Five of the members are elected from the area of each of the five County supervisorial districts and two members are appointed from specific geographic areas by the Board of Supervisors to represent the District at large. The term of office for the directors is four years.

The District has broad powers relating to all aspects of flood control and storm waters within the District, whether or not such waters have their sources within the District. It is also authorized to store and distribute water for use within its jurisdictional boundaries and authorized to provide sufficient water for present or future beneficial use of the lands and inhabitants of the District. The District acquires, stores, and distributes water for irrigation, residential, fire protection, municipal, commercial, industrial, and all other uses.

As required by generally accepted accounting principles, the accompanying general-purpose financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

(b) Blended Component Unit

The Santa Clara Valley Water District Public Facilities Financing Corporation (the Corporation) was established on December 16, 1987 for the purpose of providing assistance to the District in financing the acquisition, construction and improvement of public buildings, works and equipment for the District. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. The operations of the Corporation are accounted for in the Special Revenue Funds, Debt Service Fund, and the General Long-Term Debt Account Group.

Component unit financial information can be obtained from the Finance Department of the District at 5750 Almaden Expressway, San Jose, CA 95118.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of fund types and account groups. Each fund is an independent accounting entity with a self-balancing set of accounts comprising its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Fund accounting allows government resources to be segregated and accounted for according to their intended purposes, aiding management in demonstrating compliance with finance-related legal and contractual provisions. Account groups are a reporting device to account for certain fixed assets and long-term liabilities of the governmental funds not recorded directly in those funds.

The various funds are grouped by type in the general-purpose financial statements. Fund types and account groups used by the District are described in the following sections:

Governmental Fund Types

General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Special revenue funds account for specific revenue sources for which expenditures are restricted by law or regulation to finance particular flood control zone functions or activities of the District.

Debt service fund is used to account for principal and interest repayments on the 1994 Certificates of Participation.

Capital projects fund accounts for debt proceeds used in the acquisition or construction of major capital facilities (other than those financed in proprietary fund types).

Proprietary Fund Types

Enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds are used to account for the financing of goods or services provided by one department or agency of the District to other departments or agencies on a cost-reimbursement basis.

Fiduciary Fund Type

Agency funds are used to account for assets held by the District as an agent for private organizations and/or other governments.

Account Groups

General Fixed Assets Account Group - fixed assets of the District, other than those accounted for in proprietary funds are accounted for in the General Fixed Asset Account Group.

General Long-Term Debt Account Group - accounts for all long-term debt of the District, including General Obligation Bonds and Certificates of Participation, which are not specific liabilities of proprietary fund types.

(b) Basis of Accounting

The modified accrual basis of accounting is followed in the governmental fund types and agency funds (assets and liabilities only). Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, meaning when they are both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District currently considers revenues available if they are collected within 60 days after year-end. Principal revenues susceptible to accrual include property tax, investment income, intergovernmental services and reimbursements for capital cost. Expenditures are recorded when the fund liability is incurred with the exception of principal and interest on general long-term debt, which is recorded in the period due.

The proprietary funds are maintained using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of related cash flows.

The agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve the measurement of results of operations.

The District has elected, under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* to apply all GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(c) Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds use a "current financial resources" measurement focus. Thus, only current assets and current liabilities generally are included on their balance sheets. Governmental fund operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds use a flow of "economic resources" measurement focus. Thus, all assets and all liabilities associated with the activities of these funds are included on their balance sheets. Their reported fund equity (net assets) is segregated into components of contributed capital and retained earnings. In addition, the reported fund equity provides an indication of the economic net worth of

the fund. Operating statements of proprietary fund types present increases (revenues) and decreases (expense) in net assets.

(d) Cash and Investments

While maintaining safety and liquidity, the District maximizes its investment return by pooling its available cash for investment purposes. Interest earnings are apportioned among funds based upon the average monthly cash balance of each fund and are allocated to each fund on a monthly basis.

The District reported investments in nonparticipating interest earnings contracts (including guaranteed investment contracts) at cost, investments that mature beyond three months from the date of acquisition at fair value, and investments that mature within three months or less from the date of acquisition at amortized cost. The fair value of investments is based on current market prices.

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased (including restricted investments), and their equity in the cash and investment pool to be cash equivalents.

(e) Inventory

Proprietary fund inventory consists of materials and supplies held for consumption. The cost of all inventory acquired is recorded as an expense at the time of purchase. At the end of the accounting period, the inventory values of materials and supplies on hand is determined using an average cost method which approximates market value.

(f) Fixed Assets - Proprietary Fund Types

Fixed assets of the proprietary fund types are stated at cost or estimated historical cost. Contributed assets are recorded at fair market value on the date received. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend its life are not capitalized. Depreciation in the proprietary funds has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Water treatment facilities	20 - 100 Years
Dams, structures, and improvements	33 - 200 Years
Office furniture, fixtures, and equipment	10 - 20 Years
Automobiles and trucks	6 - 10 Years
Computer equipment	3 - 7 Years

(g) General Fixed Assets

General fixed assets are those acquired for general governmental purposes. Those assets purchased or constructed in the current year are recorded as expenditures in the governmental fund types and capitalized at cost in the General Fixed Assets Account Group. Purchased fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are recorded at fair market value at the time received.

Public domain (infrastructure) general fixed assets (principally pipelines, channel linings, floodwalls, levees, bridge flood proofing, box culverts and revegetation) are capitalized along with other general fixed assets.

No depreciation has been provided on general fixed assets nor has interest been capitalized.

(h) Amortization of Contract Water Rights

The District has contracted with the State for water deliveries from the State Water Project through calendar year 2035. A portion of the payments under this contract represent reimbursement of capital costs for transportation facilities (the capital cost component). The Water Enterprise Fund capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

(i) Receivables

Receivables include amounts due from water utility customers as well as amounts due for property taxes, interest on investments and rental income. All receivables are shown net of an allowance for doubtful accounts. The allowance is $6,000 and is made up entirely of accounts relating to the Water Enterprise Fund.

(j) Due from other Governments

Amounts due from other governments represent amounts due from various government agencies for reimbursement of the District's expenditures in association with construction projects.

(k) Accrued Vacation and Sick Leave Pay

The District accrues for vacation, sick, and compensatory leave as they are earned in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Appropriate accruals are made in the governmental and proprietary fund types.

District employees may accrue vacation and compensatory leaves for which they will be compensated upon termination at their final pay rates to a maximum number of hours. These maximums vary depending on classification and years of service. In governmental funds, compensated absences are recorded as expenditures in the years earned, as it is the District's policy to liquidate any unpaid compensated absences at the end of the reporting period from currently available expendable resources. Accordingly, the entire unpaid liability is accrued as an expenditure in the governmental funds.

Sick leave may be accumulated without limit. Employees will be compensated upon termination at their final pay rates based on classification, age, and years of service.

(l) Bond Discounts and Issuance Costs

For proprietary fund types, bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond discounts. Issuance costs are reported as deferred charges.

(m) Budgets and Budgetary Accounting

The District annually adopts a budget in June to be effective July 1 for the ensuing fiscal year. Annual appropriated budgets are adopted for the general fund, special revenue funds, and for all proprietary funds. The capital projects and debt service funds are not budgeted.

Legal budgetary (expenditure) control is established at the fund level, further controlled within the fund at the category level. The categories are defined as the operating budget (operations and maintenance, debt service, and operating projects) and the capital budget (capital improvement projects) in the budget and actual budgetary basis schedules. The amounts stated therein as proposed expenditures become appropriations to the various District organization units. The Board may amend the budget by motion during the fiscal year. The District General Manager is authorized to transfer appropriations within budget categories by fund. All unencumbered appropriations for operations and maintenance, operating projects and debt service lapse at fiscal year-end. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated. Unexpended appropriations for capital projects are carried forward until project completion or termination.

The budget process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP) basis. The results of operations are presented in the budget and actual statements in accordance with the budgetary basis to provide a meaningful comparison with the budget. The major differences between the budgetary basis and GAAP basis are as follows:

- Certain accruals (primarily accrued vacation and sick leave pay) are excluded from the budgetary basis because such amounts are budgeted on a cash basis.
- Year-end encumbrances are recognized as expenditures on the budgetary basis, while encumbered amounts are not recognized as expenditures on the GAAP basis until incurred.
- Some operating transfers are not budgeted and therefore excluded from the budgetary basis.
- Certain budgeted debt service expenditures in special revenue funds are recorded as operating transfers out on a GAAP basis.
- Intra-district overhead reimbursement on a budgetary basis is reflected as a reimbursement of expenditures on a GAAP basis.

Reported budget amounts in the accompanying general-purpose financial statements reflect the annual budget as originally adopted or subsequently amended by the District Board of Directors. The budget amounts are based on estimates of the District's expenditures/expenses and the proposed means of financing them. Actual expenditures for capital items, as in the case of special revenue funds, may vary significantly from budget due to timing of such expenditures.

(n) Encumbrances

The District employs encumbrance accounting as a significant aspect of budgetary control. Under encumbrance accounting, purchase orders, contracts and other commitments for expenditure of funds are recorded as reservations of fund balance since they are not treated as current expenditures or outstanding liabilities at year end for GAAP financial reporting.

(o) Estimates

The preparation of the general-purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) Total Columns (Memorandum Only) on General-Purpose Financial Statements

Total columns on the accompanying general-purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, or is such data comparable to a consolidation of financial information. Eliminations of interfund activities have not been made.

(3) CASH AND INVESTMENTS

Total District cash and investments at June 30, 1999 are as follows (in thousands):

Cash and investments	$ 346,826
Restricted cash and investments	23,295
	$ 370,121

Deposits

At year-end, the carrying amount of cash deposits in the District's Treasury was ($292,000) and the bank balance was $506,000. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, $100,000 was insured by federal depository insurance and the balance was covered by collateral held in the pledging bank's trust department in the District's name.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits not covered by Federal depository insurance by pledging government securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name. The market value of pledged securities must be equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust mortgage notes having a value 150% of the District's total cash deposits.

Investments

The District is permitted by State law and Board policy to invest in a variety of instruments including U.S. Treasury securities, federal agencies, bankers' acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term notes, guaranteed investment contracts, mutual funds, and State and County investment pools. All investments are subject to various limitations and restrictions.

For financial reporting purposes, investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or securities held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name. The District did not have any Category 2 or 3 investments at June 30, 1999.

At June 30, 1999, cash and investments are categorized as follows (in thousands):

	Carrying Value	Fair Value
Category 1 investments		
U.S. government securities	$ 27,258	$ 27,258
U.S. government agencies	237,608	237,602
Commercial paper	3,936	3,936
Medium-term notes	8,365	8,365
	277,167	277,161
Uncategorized deposits and investments		
State investment pool	54,828	54,828
Guaranteed investment contracts	17,529	17,529
Mutual funds	15,123	15,123
Santa Clara County investment pool	1,368	1,368
Money market deposits	4,398	4,398
Deposits and cash on hand	(292)	(292)
Total deposits and investments	$ 370,121	$ 370,115

As of June 30, 1999, the District's investment in the State investment pool (LAIF) is $54,828,000. The total amount invested by all public agencies in LAIF at that date is $35,606,333,000. Of that amount, 94.73% is invested in non-derivative financial products and 5.27% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool

shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in LAIF.

As of June 30, 1999, the District's investment in the Santa Clara County Investment Pool (Pool) is $1,368,000. The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. The value of the District shares in the Pool which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the Pool. The District's investment in the Pool is stated at fair value, available upon demand and considered cash equivalents.

Restricted Cash and Investments for Bond Interest and Redemption

Under the provisions of the District's revenue bond resolutions and Installment Purchase Agreement for the 1994 Certificates of Participation, a portion of the proceeds from these debt issuances is required to be held in reserve accounts by a fiscal agent as trustee. As of June 30, 1999, the amount invested in assets held by fiscal agent amounted to $17,792,000 and was equal to or in excess of the amount required at that date.

At June 30, 1999 the District has investments in the Santa Clara County investment pool in the amount of $1,360,000 restricted for interest and redemption of the 1973 general obligation bonds and the 1963 water utility bonds.

Restricted Cash and Investments for Flood Control Projects

The District has entered into certain cost sharing agreements with the U.S. Army Corp of Engineers (the Corps). Under these agreements the District is required to deposit monies into escrow accounts to be used by the Corps for flood control projects. At June 30, 1999 the District's restricted deposits held in escrow for construction of the Guadulupe River flood control projects amounted to $4,135,000.

(4) REIMBURSEMENT OF CAPITAL COSTS

The District derives certain revenues from reimbursements of capital costs by local, state, and federal agencies. The following is a summary of such reimbursements in 1998-99 (in thousands):

Local agency:	
City of San Jose	$19
State agency:	
State of California: Department of Water Resources	8,785
Federal agencies:	
Department of Agricultural: Natural Resources Conservation Service	161
Total reimbursement of capital costs	$8,965

(5) PROPERTY, PLANT AND EQUIPMENT

A summary of changes in property, plant and equipment in the General Fixed Assets Account Group as of June 30, 1999 follows (in thousands):

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land	$ 93,832	$ -	$ (1,081)	$ 92,751
Buildings	9,101	-	-	9,101
Structures and improvements	287,783	10,600	-	298,383
Equipment	7,965	1,927	-	9,892
Construction in progress	93,966	25,754	(10,578)	109,142
Total property, plant and equipment	$ 492,647	$ 38,281	$ (11,659)	$ 519,269

A summary of changes in proprietary fund type property, plant and equipment as of June 30, 1999 follows (in thousands):

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land:				
Water enterprise fund	$ 15,963	$ -	$ (43)	$ 15,920
Buildings:				
Water enterprise fund	28	-	-	28
Structures and improvements:				
Water enterprise fund	312,315	18,720	-	331,035
Equipment:				
Water enterprise fund	4,806	178	-	4,984
Equipment fund	10,432	1,036	(360)	11,108
Risk management fund	3	-	-	3
Construction in progress:				
Water enterprise fund	27,900	13,500	(17,952)	23,448
Total property, plant and equipment	371,447	33,434	(18,355)	386,526
Less accumulated depreciation:				
Water enterprise fund	58,539	6,319	-	64,858
Equipment fund	5,879	985	(351)	6,513
Risk management fund	1	-	-	1
Net property, plant and equipment	$ 307,028	$ 26,130	$ (18,004)	$ 315,154

(6) LONG-TERM DEBT

The District's long-term debt outstanding as of June 30, 1999 consisted of the following (in thousands):

Type of indebtedness	Maturity	Interest Rates	Authorized and Issued	June 30, 1999
General Long-Term Debt				
General obligation bonds:				
1973 General obligation bonds - series C	2003	.05 - 7%	$ 3,750	$ 1,085
Certificates of participation				
1994 Certificates of participation	2004	4 - 6%	144,620	129,715
Total general long-term debt				$ 130,800
Enterprise Fund Debt				
1963 Water utility bonds - general obligation				
Series A	2003	3.6 - 5%	$ 15,500	$ 2,030
Series B	2006	.05 - 5%	14,200	4,805
Series C	2008	4.6 - 5%	3,500	1,520
Series D	2012	2.25 - 7%	8,850	4,985
Total 1963 water utility - G.O.B.			42,050	13,340
1994 Water revenue refunding bond	2004	4 - 5.4%	65,915	33,345
Total enterprise fund debt				$ 46,685

The following is a summary of debt retirements as of June 30, 1999 (in thousands):

	Balance July 1, 1998	Less Maturities and Amortization	Balance June 30, 1999
General Long-Term Debt			
1973 General obligation bonds - series C	$ 1,275	$ (190)	$ 1,085
1994 Certificates of participation	132,885	(3,170)	129,715
Total general long-term debt	$ 134,160	$ (3,360)	$ 130,800
Enterprise Fund Debt			
1963 Water utility bonds	$ 14,900	$ (1,560)	$ 13,340
1994 Water revenue refunding bonds	39,393	(6,048)	33,345
Total enterprise fund debt	$ 54,293	$ (7,608)	$ 46,685

The aggregate maturities of long-term debt are as follows (in thousands):

Year ending June 30,	General Long-Term Debt	Enterprise Fund Bonds Payable	Total
2000	$ 11,036	$ 10,882	$ 21,918
2001	11,044	10,886	21,930
2002	11,054	10,888	21,942
2003	11,064	10,183	21,247
2004	11,057	7,831	18,888
Thereafter	183,291	6,707	189,998
Total Requirements	238,546	57,377	295,923
Less: Interest	(107,746)	(8,492)	(116,238)
Less: Unamortized discount and deferred amount on refunding	-	(2,200)	(2,200)
Total Principal	$ 130,800	$ 46,685	$ 177,485

General Long-Term Debt:

The following provides a brief description of the District's general long-term debt outstanding as of June 30, 1999:

1973 General Obligation Bonds - Series C

On August 1, 1973, the District issued general obligation bonds for the purpose of completing construction of a comprehensive zone-wide flood control system in the North Central Flood Control Zone. Debt service payments are funded through ad valorem taxes on property in the North Central Flood Control Zone.

1994 Certificates of Participation

On June 15, 1994, the District issued $144,620,000 in 1994A Refunding and Improvement Certificates of Participation (the Certificates). The Certificates were issued to advance refund the District's outstanding 1988 and 1990 Certificates of Participation (the old certificates), and to establish a construction fund. The District has pledged its flood control system revenue (principally benefit assessment and ad valorem taxes on property) to secure the semi-annual installment debt service payments on the Certificates. A portion of the proceeds was paid into an irrevocable escrow account to provide for all future debt service payments on the old certificates. As a result, the old certificates were defeased, and the related liability has been removed from the General Long-Term Debt Account Group. At June 30, 1999, $14,985,000 of the 1990 Certificates of Participation were outstanding.

Enterprise Fund Debt:

The following provides a brief description of the District's Enterprise Fund debt outstanding as of June 30, 1999:

1963 Water Bonds

The Water Bonds are general obligations of the District. These bonds were issued pursuant to the provisions of Resolution No. W-1.8, adopted November 12, 1963. Proceeds from these bonds have been used for construction of a comprehensive water treatment and distribution system. Debt service payments are funded through ad valorem taxes on property.

1994 Water Revenue Refunding Bonds

In July 1994, the District issued $65,915,000 in 1994A Water Revenue Refunding Bonds. The bonds were issued to advance refund the District's outstanding 1986 Water Revenue Bonds. The District has pledged its net water utility system revenues to secure the payment of principal and interest on the bonds.

In accordance with GASB Statement No. 23, the difference between the reacqusition price and net carrying amount of the old debt of $4,433,000 was deferred and is being amortized as a component of interest expense over ten years which is equal to the life of the new debt.

Compliance with Bond Covenants

Resolutions associated with the District's bonds and certificates of participation contain a number of covenants, limitations, and restrictions. The District believes it is in compliance with all significant covenants, limitations, and restrictions.

(7) PROPERTY TAXES AND BENEFIT ASSESSMENTS

The District derives certain revenues from the assessment of property taxes and the levy of a benefit assessment. The property tax levy is composed of two categories: (1) a 1% tax allocation and (2) voter approved levies to service the 1963 Water General Obligation bonds (G.O. bonds) and to repay capital and operating costs related to State Water Projects.

Property tax and benefit assessment revenue recorded during the year ended June 30, 1999 follows (in thousands):

	General Fund	Special Revenue Funds	Enterprise Fund
Property taxes:			
1% tax allocation	$ 2,369	$ 17,222	$ 9,134
Voter approved indebtedness			
State water	-	-	7,959
G.O. bonds	-	-	2,343
Total taxes	2,369	17,222	19,436
Benefit assessments	-	25,711	-
Total property taxes and Benefit assessments	$ 2,369	$ 42,933	$ 19,436

The County is responsible for the assessment, collection, and apportionment of property taxes for the District. The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). The District is responsible for determining the amount of benefit assessment, and the County is responsible for the collection and apportionment of the benefit assessment. Secured property taxes and benefit assessments are each payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for as collected and remitted by the County within the governmental fund revenues. The proprietary fund revenues record property taxes as they are earned. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if still unpaid on August 21.

The District has elected to participate in the "Teeter Plan" offered by the County whereby the District receives 100% of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes.

(8) FUND EQUITY

Reserved fund balance represents that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

Portions of unreserved fund balance and retained earnings may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, require further legal authorization and may not result in expenditures or expenses.

Reservations and designations of governmental fund balances are reported in the combined balance sheet of the accompanying general-purpose financial statements.

Designated and undesignated proprietary fund retained earnings as of June 30, 1999 are presented below (in thousands):

	Water Enterprise Fund	Equipment Internal Service Fund	Risk Management Internal Service Fund
Designated for Operations and Contingencies:			
Designated for contracts and purchases	$ 12,743	$ 113	$ -
Designated for debt service	7,904	-	-
Designated for operating contingencies	1,000	100	100
Designated for working capital	7,832	-	-
Designated for San Felipe operations	2,443	-	-
Designated for supplemental water supply	8,625	-	-
Designated for rate stabilization	1,000	-	-
	41,547	213	100
Designated for Capital Projects:			
Designated for current authorized projects	28,484	1,596	-
Designated for future capital projects	7,152	1,704	-
	35,636	3,300	-
Designated for Future Contingent Liabilities:			
Designated for Central Valley Project	60,506	-	-
Designated for self insurance risk	-	-	12,593
	60,506	-	12,593
Undesignated Retained Earnings	277,624	4,595	2
Total Retained Earnings	$ 415,313	$ 8,108	$ 12,695

Available retained earnings as of June 30, 1999 is as follows (in thousands):

	Water Enterprise Fund	Equipment Internal Service Fund	Risk Management Internal Service Fund
Total retained earnings - undesignated	$ 277,624	$ 4,595	$ 2
Plus: contributions in aid of construction	4,378	-	-
Plus: long-term debt	46,685	-	-
Less: noncurrent assets	(328,687)	(4,595)	(2)
Available retained earnings	$ -	$ -	$ -

Contributed Capital

During fiscal year 1998-1999, there were no charges or changes to the balance of $4,378,000 in contributed capital in the water enterprise fund.

(9) DEFERRED COMPENSATION PLAN

The District has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying unforeseeable emergency. Participation in the plan is voluntary.

Prior to December 15, 1998, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights ("plan assets") were (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plan were equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

Effective January 1, 1997, Internal Revenue Code Section 457 was amended to require all plan assets to be held in qualified trust, custodial account, or annuity contract for the benefit of participants and their beneficiaries. To meet these requirements, effective December 15, 1998, plan assets and income were transferred by the District's Plan Providers and held in trust for the exclusive benefit of participants and their beneficiaries, and are therefore no longer considered property of the District and cannot be used to satisfy creditor claims. In accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the deferred compensation assets and associated liabilities were removed from the June 30, 1999 balance sheet.

(10) EMPLOYEES' RETIREMENT PLAN

Plan Description

All permanent employees are eligible to participate in the miscellaneous plan with the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries based on member's years of service, age and final compensation. District employees vest after five years of service and are eligible to receive retirement benefits at age fifty. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District's ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Status and Progress

District employees are required to contribute 9% of their annual covered salary to CalPERS. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the District for fiscal

year 1998-99 was 5.989%. The contribution requirements of plan members are established by State statute and employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 1998-99, the District's annual pension cost of $2,125,000 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 1996 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected annual salary increases that vary by duration of service. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of CalPERS assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a three-year period. CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period as of June 30, 1999 was fifteen years.

THREE-YEAR TREND INFORMATION FOR CalPERS
(Dollars in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/97	$2,715	100%	$0
6/30/98	1,996	100%	0
6/30/99	2,125	100%	0

FUNDED STATUS OF PLAN
(Dollars in Thousands)

Actuarial Valuation Date	Entry Age Normal Accured Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability/ (Excess Assets) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	Unfunded Actuarial Accrued Liability As a % of Payroll [(a)-(b)]/(c)
6/30/95	$101,209	$101,221	($12)	100.0%	$32,278	-0.04%
6/30/96	117,373	118,277	(904)	100.8%	30,792	-2.94%
6/30/97*	119,319	138,388	(19,069)	116.0%	32,305	-59.03%

* Actuarial assumptions changed from the prior year end includes an expected long-term inflation decrease from 4.5% to 3.5%, expected long-term rate of return decrease from 8.5% to 8.25%, and an overall payroll growth decrease from 4.5% to 3.75%.

(11) POST-EMPLOYMENT BENEFITS

The District provides post-employment health care benefits, in accordance with negotiated memoranda of understanding with employee groups and adoption by the Board of Directors, for retired employees or their surviving spouses who meet the eligibility requirements and elect the option. For employees who retired prior to June 30, 1988 with at least 10 years of service, the District provides reimbursement of medical premiums of $165 per month payable quarterly. For employees who retired after June 30, 1988, the District pays 100% of medical premiums provided the employee has 10 years of service with the District, the District was the last employer, and the employee is receiving a monthly allowance from PERS. For employees who retired after June 30, 1990, the District provides additional medical coverage for one dependent provided the employee has 15 years of service with the District and their dependent does not have coverage from a current employer. Benefits are recognized as claims are paid. For the year ended June 30, 1999, expenditures of $398,000 were recognized for post-employment health care benefits, with 145 participants currently eligible to receive benefits.

(12) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District reports all of its risk management activities in its Risk Management Internal Service Fund.

The District's deductibles and maximum coverage are as follows:

Coverage Descriptions	Deductibles	Commercial Insurance Coverages
General liability	$2,000,000	$40,000,000
Workers' compensation	250,000	Statutory
Property damage (subject to policy sub-limits)	10,000	500,000,000
Fidelity	10,000	2,000,000
Non-owned aircraft liability	-	5,000,000

Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported, allocated and unallocated claims adjustment expenses and incremental claim expense. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. At June 30, 1999, the liability for self-insurance claims was $3,731,000. This liability is the District's best estimate based on available information. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Changes in the reported liability since June 30, 1997 are as follows (in thousands):

	General Liability	Workers' Compensation	Total
Claims payable at June 30, 1997	$ 3,512	$ 1,126	$ 4,638
Current year premiums, incurred claims and changes in estimates	(245)	(236)	(481)
Net payments	(426)	(184)	(610)
Claims payable at June 30, 1998	2,841	706	3,547
Current year premiums, incurred claims and changes in estimates	821	418	1,239
Net payments	(748)	(307)	(1,055)
Claims payable at June 30, 1999	$ 2,914	$ 817	$ 3,731

(13) COMMITMENTS

(a) Contract and Purchase Commitments

As of June 30, 1999, the proprietary funds had open purchase commitments of approximately $12.9 million relating primarily to new or existing contracts and agreements. Governmental funds had encumbrances of approximately $16.5 million as reflected in the accompanying general-purpose financial statements. These encumbrances represent commitments for the expenditure of funds and do not represent expenditures or liabilities.

(b) State Water Project Water Deliveries

The District has contracted with the State for water deliveries from the State Water Project. Under the terms of the contract, the District secured rights to obtain 6,510,783 acre-feet of water, of which, 2,810,783 acre-feet of water have been allotted through June 30, 1999. The contract requires the District to reimburse the State for capital costs (including interest thereon) and minimum operating, maintenance, power, and replacement costs of the State Water Project transportation and conservation facilities. The State annually reestimates the District's total commitment for reimbursement of such costs.

A summary of the currently estimated remaining commitment to the State through 2035, is as follows (in thousands):

Transportation Charges:	
Capital cost component, including principal and interest	$31,734
Operations and maintenance	203,337
Delta water charges	86,051
Water revenue bond surcharges	30,761
Total State Water Project Commitment	$351,883

(c) San Felipe Project Water Deliveries

The District has also contracted with the U.S. Department of the Interior for water deliveries from the San Felipe Project. Under terms of the contract, the District secured rights to a minimum of 4,022,900 acre-feet of water, of which 1,023,122 acre-feet of water have been received through June 30, 1999. The contract requires the District to operate and maintain its share of the facilities. The estimated remaining commitment, for water purchases through 2027 total approximately $174,084,000 as of June 30, 1999.

(14) CONTINGENCIES

(a) Litigation

The District is a defendant or codefendant in a number of lawsuits for property damages and/or personal injuries. Although the outcome of the lawsuits is not presently determinable, counsel for the District has indicated that material losses, if any, arising from these lawsuits are adequately provided for under indemnification agreements or insurance coverage and therefore would not have a material effect on the June 30, 1999 general-purpose financial statements.

(b) Grants and Subventions

The District has received federal and state grants for specific purposes that are subject to review and audit. Although such audits could result in expenditures disallowances under grant terms, any required reimbursements are not expected to be material.

(c) Central Valley Project

On June 7, 1977, the District entered into a contract with the U.S. Bureau of Reclamation for water service from the San Felipe Division of the Federal Central Valley Project (CVP). The CVP water service provides for both agricultural operation and maintenance (O&M) and municipal and industrial (M&I) water deliveries to the District up to a total maximum annual entitlement of 152,500 acre-feet per year. The contract specified initial water rates for O&M and M&I water service and provided for periodic adjustments for the respective water rates in accordance with prevailing CVP water rate policies commencing in the year 1993 for the in-basin M&I rate component; 1996 for the agricultural O&M rate component; 2001 for the full agricultural water rate; and 2008 for the out-of-basin M&I

rate component. The methodology of CVP water rate setting has historically recovered current year operating costs and the applicable construction costs over 50 years.

The District's initial CVP water rates were determined based on a November 1974 CVP water rate policy and estimated construction costs of the San Felipe Division. The actual construction costs of the San Felipe Division were significantly higher than the estimates used in the initial rate calculation, and changes in the Federal Reclamation Law during the 1980's have led to the development of new CVP water rate policies. As a result, the District is facing significant possible future CVP water rate increases because, under the terms of the District's CVP water service contract, the future rate adjustments must conform to prevailing water rate policies at the time of adjustment. Although future rate increases are possible, an estimate of the amount of such increases or the amount of any liability that the District will owe to the CVP cannot be made based on the information currently available.

In an effort to minimize the potential adverse effects of possible future CVP water rate increases, the District has begun collecting additional revenue through its water rates, and has designated the related incremental portion of retained earnings of the Water Enterprise Fund as designated for CVP (see Note 8).

(d) Methyl Tertiary Butyl Ether

Methyl Tertiary Butyl Ether (MTBE) is a colorless chemical compound that is manufactured for use in gasoline. MTBE was added to the state's gasoline supplies to reduce harmful air emissions, but has created an unforeseen impact on water supplies. The limited research that has been done to date indicates that MTBE is more difficult and more expensive to remove from drinking water than other components of gasoline.

California Senate Bill 2198 (Bill) creates a statewide cleanup fund for drinking water contaminated by MTBE and other fuel oxygenates. The Bill provides $20 million statewide over three years for treatment, purchase of replacement water, and investigation of possible sources of contamination.

The District has established a $1.7 million program budgeted to protect underground aquifers from MTBE contamination. The District has also embarked on a surface water protection program to safeguard local reservoirs from high concentrations of MTBE. The future financial impact to the District is unknown at this time; however, the District is exploring various options including legislation, in addressing this potential threat to its water supply.

(e) Proposition 218

Proposition 218 was approved by voters in November 1996, providing certain limitations over the ability of local governments within the State of California to impose, increase, and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may, in some circumstances, be lowered or rescinded in the future by the voters. The Proposition will require an additional voter approval process for extended flood management funding, making it more difficult to fund future flood control needs. In addition, certain land owned by the District may be subject to local assessments that confer a special benefit to the property. It is not possible at this time to estimate the potential future impact of Proposition 218 on the District.

(f) Claims Offset-State Department of Water Resources

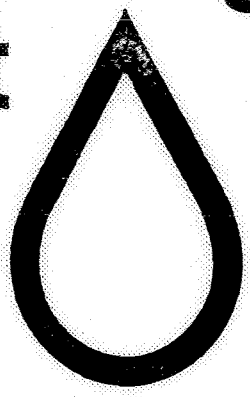
The District is party to negotiations with the State of California regarding findings from a program audit dated April 9, 1993. The State contends that the District received excess reimbursement for the Pajaro River, Uvas-Carnadero Creek Project, which was jointly funded by the State of California and the U.S. Army Corp of Engineers. The State asserts it is entitled to a share of Federal funding received by the District in the amount of $3.9 million dollars ($5.7 million including interest). The audit finding is being disputed by the District, as the claim of overpayment is based upon separate funding the District received from the U.S. Army Corp of Engineers for related work in the project area which was outside the scope of the State's approved project. Negotiations continue and the District anticipates a resolution of this matter in early 2000. Long-term intergovernmental receivables and deferred revenues for State flood control subvention claims have been reduced by $5.7 million. The reduction will remain until the audit finding is resolved to both the State's and the District's satisfaction.

(15) EXTRAORDINARY ITEM-LENIHAN DAM OUTLET EMERGENCY

On August 29,1998, the District declared an Internal Level 1 Emergency relating to a "dam incident" as defined by dam safety authorities. The incident involved the discovery of a buckled section of the outlet pipe of the Lenihan Dam. The buckling may be linked to earlier seismic activity as evidenced by signs of distress that are indicative of potential loss of structural/operational integrity of the dam and its appurtenant structures. The discovery posed no immediate threat to the dam or public safety, but if not corrected could dramatically impede the flow of water released from the reservoir to the Los Gatos Creek. That condition could lead to flooding around the reservoir if the District experiences a heavy rainy season. District expenditures in investigating the buckling, repair of the outlet, and emergency pumping totaled $4,709,000 for the fiscal year.

Required Supplemental Information

Santa Clara Valley
Water District



REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Disclosure About Year 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations in the year 1999 and beyond. The year 2000 issue exists because many computer systems and applications currently use two digit date fields to designate a year. Date sensitive systems may recognize the year 2000 as 1900, or not at all. This inability to properly treat the year 2000 could cause systems to process critical financial and operational information incorrectly.

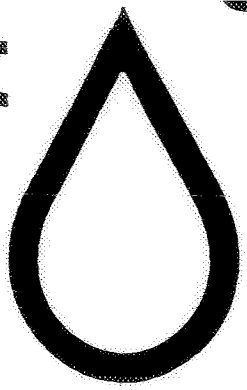
The following stages have been identified as necessary to address year 2000 issues: awareness (establishing project plans and budgets), assessment (preparing an inventory), remediation (making changes to systems and equipment), and validation/testing (validating and testing the changes made).

The District began the awareness stage in early 1992, identifying systems shortfalls and making corrections before the January 1, 2000 date. Potential impacts were identified for the water utility, flood control and administration. The identification of potential impacts has helped focus attention on the critical functions/systems of each line of business.

The District completed the assessment stage by performing an inventory of all computer systems and other electronic equipment that may be affected by the year 2000 issue, and then began remediation efforts for the mission-critical water treatment and distribution, communications, business administration, flood management, and emergency operations. As of June 30, 1999, the District was nearly finished with the remediation stage and will complete validation/testing in 1999.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot guarantee that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

Santa Clara Valley
Water District



COMBINING, INDIVIDUAL FUND

&

ACCOUNT GROUP STATEMENTS AND SCHEDULES

Special Revenue Funds

The Special Revenue Funds are used to account for revenues derived from specific taxes or other revenue sources that are legally restricted to finance specific activities.

The District's comprehensive flood control program is carried out among five independent Flood Control Zone Funds. Revenue is derived from voter-approved benefit assessments and property tax revenue allocations from the countywide 1% ad valorem property tax. Each of the flood control zones operates with its own budget managing distinct and separate flood control programs guided by an advisory committee.

Northwest Zone Fund - Defined by geographic boundaries encompassing the tributaries and watersheds of San Francisquito Creek, Matadero Creek, Barron Creek, Adobe Creek, Stevens Creek, and Permanente Creek. The geographic area includes the Cities of Palo Alto, Los Altos, Los Altos Hills, Mountain View, and portions of Cupertino and Sunnyvale.

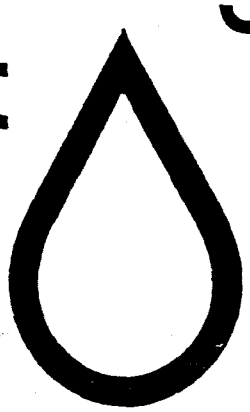
North Central Zone Fund - Defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe Slough, Sunnyvale West Outfall, Sunnyvale East Outfall, Calabazas Creek, San Tomas Aquino Creek, and Saratoga Creek. The geographic area includes the City of Saratoga and portions of the Cities of Sunnyvale, Santa Clara, Campbell, Cupertino, Monte Sereno, San Jose, and the Town of Los Gatos.

Central Zone Fund - Defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe River. The major tributaries are Los Gatos Creek, Canoas Creek, Ross Creek, Guadalupe Creek, and Alamitos Creek. The geographic area includes portions of the Cities of Santa Clara, San Jose, Campbell, Monte Sereno, and the Town of Los Gatos.

East Zone Fund - Defined by geographic boundaries encompassing the tributaries of Coyote Creek. The major tributaries are Lower Penitencia Creek, Scott Creek, Berryessa Creek, Upper Penitencia Creek, Silver Creek, Thompson Creek, Fisher Creek, and Packwood Creek. The geographic area includes the City of Milpitas and portions of the Cities of San Jose and Morgan Hill.

South Zone Fund - Defined by geographic boundaries encompassing the tributaries and watersheds of the Pajaro River in Santa Clara County. The major tributaries are Little Llagas Creek, Llagas Creek, the west branch of Llagas Creek, Uvas-Carnadero Creek, Pescadero Creek, and Pacheco Creek. The South Zone Fund is comprised of mostly unincorporated area and includes the City of Gilroy and portions of the Cities of San Jose and Morgan Hill.

Santa Clara Valley
Water District



SANTA CLARA VALLEY WATER DISTRICT

Special Revenue Funds
Combining Balance Sheet
June 30, 1999
(Dollars in Thousands)

	Northwest Zone	North Central Zone	Central Zone
ASSETS			
Cash and investments	$ 19,825	$ 8,130	$ 58,618
Restricted cash and investments	-	2	4,135
Receivables:			
Accounts	-	-	56
Taxes	16	20	24
Due from other governments	605	534	22,770
Condemnation deposits	-	7	3
Construction deposits	-	27	1,798
Total assets	$ 20,446	$ 8,720	$ 87,404
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable	275	482	244
Accrued liabilities	165	2	96
Deposits payable	-	34	4,810
Deferred revenue	605	534	22,770
Total liabilities	1,045	1,052	27,920
Equity:			
Fund balances:			
Reserved for:			
Encumbrances	1,277	912	9,075
Restricted purposes	-	-	1,126
Debt service	-	2	-
Unreserved, designated for:			
Operating contingencies	100	100	100
Working capital	3,056	3,531	5,585
Capital projects:			
Current authorized projects	3,349	1,795	10,356
Future capital projects	11,619	1,328	33,242
Total equity	19,401	7,668	59,484
Total liabilities and equity	$ 20,446	$ 8,720	$ 87,404

East Zone	South Zone	Total
$ 62,021	$ 11,193	$ 159,787
-	-	4,137
-	-	56
28	5	93
18,171	1,542	43,622
1	-	11
449	-	2,274
$ 80,670	$ 12,740	$ 209,980
228	47	1,276
43	1	307
449	-	5,293
18,171	1,542	43,622
18,891	1,590	50,498
1,039	217	12,520
-	3,593	4,719
-	-	2
100	100	500
3,997	1,797	17,966
23,326	2,723	41,549
33,317	2,720	82,226
61,779	11,150	159,482
$ 80,670	$ 12,740	$ 209,980

SANTA CLARA VALLEY WATER DISTRICT

Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 1999
(Dollars in Thousands)

	Northwest Zone	North Central Zone	Central Zone
Revenues:			
Property taxes	$ 3,244	$ 4,085	$ 4,077
Benefit assessments	5,865	3,036	7,431
Intergovernmental services	48	18	7
Use of money and property:			
Investment income	728	390	2,404
Rental	337	58	415
Reimbursement of capital costs	-	-	5,038
Other	1	23	6
Total revenues	10,223	7,610	19,378
Expenditures:			
Current:			
Operations and maintenance	2,919	4,028	3,903
Operating projects	622	615	757
Capital improvement projects	2,421	4,894	7,534
Debt Service:			
Principal repayment	-	190	-
Interest and fiscal charges	-	54	-
Total expenditures	5,962	9,781	12,194
Excess (deficiency) of revenues over (under) expenditures	4,261	(2,171)	7,184
Other financing sources (uses):			
Operating transfers in	-	-	6,925
Operating transfers out	(1,435)	(2,577)	(3,946)
Sales of fixed assets	-	-	1,076
Total other financing sources (uses)	(1,435)	(2,577)	4,055
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	2,826	(4,748)	11,239
Fund balances, beginning of year	16,575	12,416	48,245
Fund balances, end of year	$ 19,401	$ 7,668	$ 59,484

East Zone	South Zone	Total
$ 4,919	$ 897	$ 17,222
6,974	2,405	25,711
1	7	81
2,500	441	6,463
13	1	824
3,747	180	8,965
7	-	37
18,161	3,931	59,303
5,362	1,699	17,911
714	347	3,055
704	322	15,875
-	-	190
-	-	54
6,780	2,368	37,085
11,381	1,563	22,218
-	-	6,925
(1,755)	(562)	(10,275)
-	-	1,076
(1,755)	(562)	(2,274)
9,626	1,001	19,944
52,153	10,149	139,538
$ 61,779	$ 11,150	$ 159,482

SANTA CLARA VALLEY WATER DISTRICT
Special Revenue Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget to Actual on a Budgetary Basis
For the Year Ended June 30, 1999
(Dollars in Thousands)

	Northwest Zone		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	$ 3,292	$ 3,244	$ (48)
Benefit assessments	5,855	5,865	10
Intergovernmental services	-	48	48
Use of money and property:			
Investment income	771	728	(43)
Rental	203	337	134
Reimbursements of capital costs	-	-	-
Other	-	1	1
Total revenues	10,121	10,223	102
Expenditures:			
Operating Budget:			
Operations and maintenance	3,328	2,893	435
Operating projects	697	676	21
Debt Service:			
Principal repayment	456	456	-
Interest and fiscal charges	1,102	982	120
Total operating budget	5,583	5,007	576
Capital Budget:			
Capital Improvement projects	7,398	3,660	3,738
Total expenditures	12,981	8,667	4,314
Excess (deficiency) of revenues over (under) expenditures	(2,860)	1,556	4,416
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Sales of fixed assets	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ (2,860)	1,556	$ 4,416
Fund balances, beginning of year		16,575	
Reconciliation of GAAP and budgetary basis:			
Less GAAP basis accruals for salary and other liabilities		(40)	
Less prior year budgetary basis encumbrance		(41)	
Add current year budgetary basis encumbrances		1,351	
Fund balances, end of year		$ 19,401	

North Central Zone			Central Zone		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 4,214	$ 4,085	$ (129)	$ 4,285	$ 4,077	$ (208)
3,030	3,036	6	7,330	7,431	101
-	18	18	-	7	7
470	390	(80)	2,305	2,404	99
45	58	13	438	415	(23)
-	-	-	5,028	5,038	10
-	23	23	-	6	6
7,759	7,610	(149)	19,386	19,378	(8)
4,519	3,973	546	6,068	3,820	2,248
690	645	45	836	822	14
691	691	-	1,253	1,253	-
1,268	1,131	137	3,031	2,695	336
7,168	6,440	728	11,188	8,590	2,598
7,439	5,644	1,795	37,025	16,752	20,273
14,607	12,084	2,523	48,213	25,342	22,871
(6,848)	(4,474)	2,374	(28,827)	(5,964)	22,863
-	-	-	1,000	6,925	5,925
(1,000)	(1,000)	-	-	-	-
-	-	-	-	1,076	1,076
(1,000)	(1,000)	-	1,000	8,001	7,001
$ (7,848)	(5,474)	$ 2,374	$ (27,827)	2,037	$ 29,864
	12,416			48,245	
	(40)			(71)	
	(63)			(63)	
	829			9,336	
	$ 7,668			$ 59,484	

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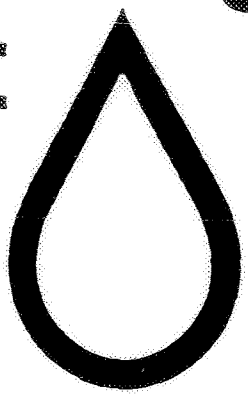
SANTA CLARA VALLEY WATER DISTRICT

Special Revenue Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget to Actual on a Budgetary Basis
For the Year Ended June 30, 1999
(Dollars in Thousands)

	East Zone		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	$ 5,186	$ 4,919	$ (267)
Benefit assessments	6,840	6,974	134
Intergovernmental services	-	1	1
Use of money and property:			
Investment income	2,761	2,500	(261)
Rental	15	13	(2)
Reimbursements of capital costs	4,606	3,747	(859)
Other	-	7	7
Total revenues	19,408	18,161	(1,247)
Expenditures:			
Operating Budget:			
Operations and maintenance	5,414	5,281	133
Operating projects	806	775	31
Debt Service:			
Principal repayment	557	557	-
Interest and fiscal charges	1,349	1,199	150
Total operating budget	8,126	7,812	314
Capital Budget:			
Capital Improvement projects	22,187	1,953	20,234
Total expenditures	30,313	9,765	20,548
Excess (deficiency) of revenues over (under) expenditures	(10,905)	8,396	19,301
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Sales of fixed assets	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ (10,905)	8,396	$ 19,301
Fund balances, beginning of year		52,153	
Reconciliation of GAAP and budgetary basis:			
Add GAAP basis accruals for salary and other liabilities		(40)	
Less prior year budgetary basis encumbrance		(87)	
Add current year budgetary basis encumbrances		1,357	
Fund balances, end of year		$ 61,779	

South Zone			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 864	$ 897	$ 33	$ 17,841	$ 17,222	$ (619)
2,295	2,405	110	25,350	25,711	361
-	7	7	-	81	81
475	441	(34)	6,782	6,463	(319)
1	1	-	702	824	122
30	180	150	9,664	8,965	(699)
-	-	-	-	37	37
3,665	3,931	266	60,339	59,303	(1,036)
2,621	1,654	967	21,950	17,621	4,329
386	351	35	3,415	3,269	146
178	178	-	3,135	3,135	-
432	386	46	7,182	6,393	789
3,617	2,569	1,048	35,682	30,418	5,264
3,424	509	2,915	77,473	28,518	48,955
7,041	3,078	3,963	113,155	58,936	54,219
(3,376)	853	4,229	(52,816)	367	53,183
-	-	-	1,000	6,925	5,925
-	-	-	(1,000)	(1,000)	-
-	-	-	-	1,076	1,076
-	-	-	-	7,001	7,001
$ (3,376)	853	$ 4,229	$ (52,816)	7,368	$ 60,184
	10,149			139,538	
	(19)			(210)	
	(72)			(326)	
	239			13,112	
	$ 11,150			$ 159,482	

Santa Clara Valley
Water District



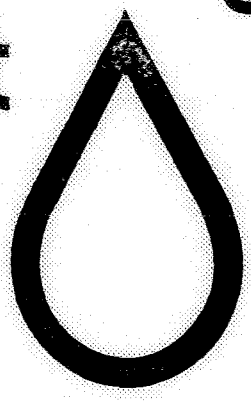
Internal Service Funds

The Internal Service Funds are similar to Enterprise Funds except that services are rendered to other District units rather than to the District's customers. This fund type consists of the Equipment Fund and the Risk Management Fund.

Equipment Fund - to account for the maintenance and operation of the District's vehicle fleet, heavy construction, and information system equipment. Financing is provided through rental charges to operations based upon usage.

Risk Management Fund - to account for the monies set aside to pay for all claims, judgments, and premium costs. Financing is provided through premiums charged to District operations.

Santa Clara Valley
Water District



SANTA CLARA VALLEY WATER DISTRICT

Internal Service Funds
Combining Balance Sheet
June 30, 1999
(Dollars in Thousands)

	Equipment	Risk Management	Total
ASSETS			
Cash and investments	$ 3,605	$ 16,464	$ 20,069
Accounts receivable	2	-	2
Due from other governments	9		9
Prepaid assets	-	25	25
Inventory	25	-	25
Property, plant and equipment, net	4,595	2	4,597
Total assets	$ 8,236	$ 16,491	$ 24,727
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable	119	65	184
Deferred revenue	9	-	9
Claims payable	-	3,731	3,731
Total liabilities	128	3,796	3,924
Equity:			
Retained earnings	8,108	12,695	20,803
Total liabilities and equity	$ 8,236	$ 16,491	$ 24,727

SANTA CLARA VALLEY WATER DISTRICT

Internal Service Funds
Combining Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Year Ended June 30, 1999
(Dollars in Thousands)

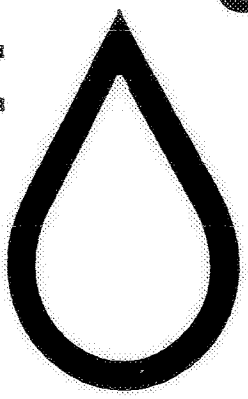
	Equipment	Risk Management	Total
Operating revenues:			
Vehicle service charges	$ 2,536	$ -	$ 2,536
Computer equipment use charges	1,000	-	1,000
Self-insurance service charges	-	2,204	2,204
Other	7	1	8
Total operating revenues	3,543	2,205	5,748
Operating expenses:			
Administrative and general	-	1,076	1,076
Equipment maintenance	2,680	-	2,680
Insurance	-	1,239	1,239
Depreciation and amortization	985	-	985
Total operating expenditures	3,665	2,315	5,980
Operating (loss)	(122)	(110)	(232)
Nonoperating revenues:			
Investment income	123	738	861
Gain on sale of fixed assets	99	-	99
Total nonoperating revenues	222	738	960
Income before operating transfers	100	628	728
Operating transfer in	753	-	753
Net income	853	628	1,481
Retained earnings, beginning of year	7,255	12,067	19,322
Retained earnings, end of year	$ 8,108	$ 12,695	$ 20,803

SANTA CLARA VALLEY WATER DISTRICT

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 1999
(Dollars in Thousands)

	Equipment	Risk Management	Total
Cash flows from operating activities:			
Operating (loss)	$ (122)	$ (110)	$ (232)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Depreciation and amortization	985	-	985
Change in operating assets and liabilities:			
Decrease in accounts receivable	1	-	1
(Increase) in due from other government	(9)	-	(9)
(Increase) in inventory	(8)	-	(8)
Increase / (decrease) in accounts payable	60	(67)	(7)
Increase in deferred revenue	9	-	9
Increase in claims payable	-	184	184
Net cash provided by operating activities	916	7	923
Cash flows from noncapital financing activities:			
Operating transfers from other funds	753	-	753
Net cash provided by noncapital financing activities	753	-	753
Cash flows from capital and related financing activities:			
Proceeds from sale of fixed assets	108	-	108
Acquisition and construction of fixed assets	(1,036)	-	(1,036)
Net cash used by capital and related financing activities	(928)	-	(928)
Cash flows from investing activities:			
Interest received on cash and investments	123	738	861
Net cash provided by investing activities	123	738	861
Net increase in cash and cash equivalents	864	745	1,609
Cash and cash equivalents, beginning of year	2,741	15,719	18,460
Cash and cash equivalents, end of year	$ 3,605	$ 16,464	$ 20,069

Santa Clara Valley
Water District



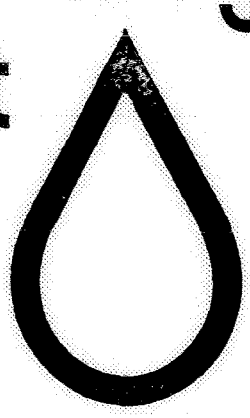
Agency Funds

Agency funds are used to account for assets held by the District in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds.

Deposit Fund - The fund is used to account for the collection and payment of expenditures chiefly in connection with the South Bay Water Recycling Program, involving the cities of San Jose and Milpitas.

Nonpoint Source Pollution Control Program Fund - The District, Santa Clara County and 13 cities within the county jointly formed the Santa Clara Valley Nonpoint Source Pollution Control (NPS) Program in 1990, with the District functioning as program manager.

Santa Clara Valley
Water District

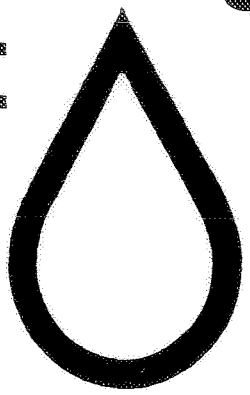


SANTA CLARA VALLEY WATER DISTRICT

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 1999
(Dollars in Thousands)

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Deposit Fund				
Assets:				
Cash and investments	$ 22	$ 1,155	$ 869	$ 308
Due from other governments	575	-	172	403
Total assets	$ 597	$ 1,155	$ 1,041	$ 711
Liabilities:				
Accounts payable	$ 44	$ 159	$ 178	$ 25
Deposits payable	553	996	863	686
Total liabilities	$ 597	$ 1,155	$ 1,041	$ 711
Nonpoint Source Fund				
Assets:				
Cash and investments	$ 1,152	$ 2,282	$ 1,969	$ 1,465
Accounts receivable	-	56	-	56
Total assets	$ 1,152	$ 2,338	$ 1,969	$ 1,521
Liabilities:				
Accounts payable	$ 183	$ 1,160	$ 979	$ 364
Deposits payable	969	1,178	990	1,157
Total Liabilities	$ 1,152	$ 2,338	$ 1,969	$ 1,521
Total Agency Funds				
Assets:				
Cash and investments	$ 1,174	$ 3,437	$ 2,838	$ 1,773
Accounts receivable	-	56	-	56
Due from other governments	575	-	172	403
Total assets	$ 1,749	$ 3,493	$ 3,010	$ 2,232
Liabilities:				
Accounts payable	$ 227	$ 1,319	$ 1,157	$ 389
Deposits payable	1,522	2,174	1,853	1,843
Total liabilities	$ 1,749	$ 3,493	$ 3,010	$ 2,232

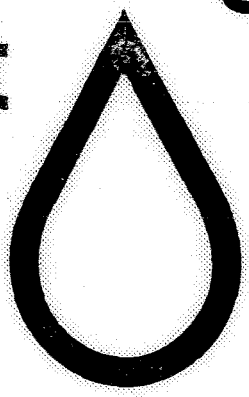
Santa Clara Valley
Water District



Proprietary Funds

Schedule of Expenditures - Budget and Actual - Enterprise Fund and Internal Service Funds

Santa Clara Valley
Water District



SANTA CLARA VALLEY WATER DISTRICT

All Proprietary Funds

Schedule of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual

For the Year Ended June 30, 1999

(Dollars in Thousands)

	Water Enterprise Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	$ 19,021	$ 19,436	$ 415
Intergovernmental services	1,106	2,574	1,468
Ground water charges	36,045	28,779	(7,266)
Treated water charges	37,730	41,015	3,285
Surface and reclaimed water charges	166	247	81
Investment income	6,800	6,766	(34)
Other	400	210	(190)
Total revenues	101,268	99,027	(2,241)
Expenditures:			
Current:			
Operations and maintenance	83,955	77,305	6,650
Operating projects	3,892	3,347	545
Debt Service:			
Principal repayment	8,080	8,080	-
Interest and fiscal charges	2,810	2,784	26
Capital outlay:			
Capital improvement projects	49,525	20,165	29,360
Total expenditures	148,262	111,681	36,581
Excess (deficiency) of revenues over (under) expenditure	$ (46,994)	(12,654)	$ 34,340
Retained earnings, beginning of year		402,855	
Reconciliation of GAAP and budgetary basis:			
Less GAAP basis accruals for salary and other liabilities		(428)	
Less depreciation and amortization expense not budgeted		(7,568)	
Add debt principal and GAAP basis accruals for interest payable		7,629	
Add capitalized expenditures		16,001	
Less prior year budgetary basis encumbrances		(1,023)	
Add current year budgetary basis encumbrances		10,501	
Retained earnings, end of year		$ 415,313	

(Continued)

SANTA CLARA VALLEY WATER DISTRICT

All Proprietary Funds

Schedule of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual

(Continued)

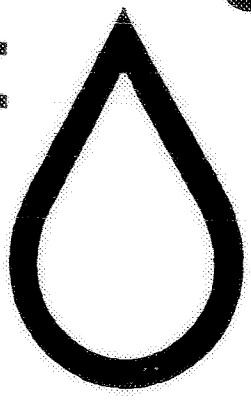
For the Year Ended June 30, 1999

(Dollars in Thousands)

	Equipment Internal Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment income	$ 107	$ 123	$ 16
Vehicle service charges	3,399	2,536	(863)
Computer equipment use charges	1,000	1,000	-
Gain on sale of fixed assets	268	99	(169)
Self-insurance service charges	-	-	-
Other	-	7	7
Total revenues	4,774	3,765	(1,009)
Expenditures:			
Current:			
Operations and maintenance	3,584	2,602	982
Capital equipment acquisition	2,814	1,217	1,597
Total expenditures	6,398	3,819	2,579
Other financing sources:			
Operating transfers in	753	753	-
Total other financing sources	753	753	-
Excess (deficiency) of revenues and other financing sources over (under) expenditure	$ (871)	699	$ 1,570
Retained earnings, beginning of year		7,255	
Reconciliation of GAAP and budgetary basis:			
Less GAAP basis accruals for salary and other liabilities		(16)	
Less depreciation and amortization expense not budgeted		(985)	
Add capitalized expenditures		1,036	
Less prior year budgetary basis encumbrances		(3)	
Add current year budgetary basis encumbrances		122	
Retained earnings, end of year		$ 8,108	

Risk Management Internal Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)
$ 686	$ 738	$ 52
-	-	-
-	-	-
		-
2,205	2,204	(1)
-	1	1
2,891	2,943	52
2,738	2,339	399
-	-	-
2,738	2,339	399
-	-	-
-	-	-
$ 153	604	$ 451
	12,067	
	(8)	
	-	
	-	
	(26)	
	58	
	$ 12,695	

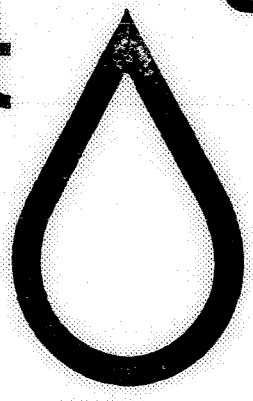
Santa Clara Valley
Water District



General Fixed Assets Account Group

This account group is a self-balancing set of accounts established to provide accounting control over the fixed assets not used in proprietary fund operations or accounted for in trust funds. These general fixed assets are accounted for in this account group rather than in the respective governmental funds

Santa Clara Valley
Water District



SANTA CLARA VALLEY WATER DISTRICT

Schedule of General Fixed Assets and Sources of Funding

June 30, 1999

(Dollars in Thousands)

General fixed assets:		
Land	$	92,751
Buildings		9,101
Structures and improvements		298,383
Equipment		9,892
Construction in process		109,142
Total general fixed assets	$	519,269
Sources of funding for general fixed assets:		
General fund	$	56,572
Special revenue funds:		
Northwest zone		84,671
North central zone		79,625
Central zone		155,021
East zone		89,977
South zone		45,812
Capital projects fund		7,591
Total sources of funding for general fixed assets	$	519,269

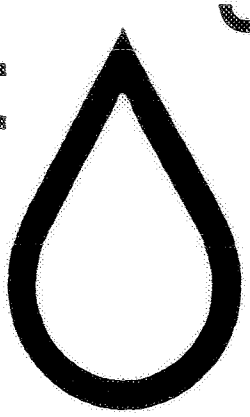
SANTA CLARA VALLEY WATER DISTRICT
Schedule of General Fixed Assets
By Function and Activity
June 30, 1999
(Dollars in Thousands)

Function and Activity	Land	Buildings	Structures and Improvements	Equipment	Construction in Progress	Total
General managers group:						
General manager				$457		$457
General counsel				32		32
Clerk of the board				69		69
Assistant general managers				80		80
Employee / labor relations				51		51
Development & training				148		148
Equal opportunity office				17		17
Employee services				17		17
Government relations				13		13
Public information office				70		70
Project management group:						
Office of project management				2,047		2,047
Water resources management group:						
Water resources group manager				15		15
Water supply policy & planning				3		3
Flood management policy & planning				18		18
Community project review				20		20
Underground storage tank program				57		57
Hydrology & geology services				2		2
Environmental resources management				7		7
Technical services				27		27
Laboratory services				6		6
Business resources group:						
Business resources group manager				180		180
Financial & systems services				11		11
General accounting				110		110
Information systems solutions				1,048		1,048
Information technology				1,626		1,626
Research & record services				107		107
Procurement & materials management				384		384
Business support services				150		150
Project development group:						
Project development manager				34		34
Project administration services				419		419
Construction administration				97		97
Facilities planning & design				446		446
Environmental compliance unit				2		2
Technical services				452		452
Real estate				37		37
Land surveying & mapping				111		111
Operations & maintenance group:						
Operations & maintenance manager				50		50
West watershed field unit				726		726
East / sough watershed field unit				19		19
Special projects field unit				4		4
Raw Water field operations				4		4
Facility management unit				6		6
Facility operations unit				7		7
O&M technical support unit				17		17
Equipment management				98		98
Materials management unit				4		4
Other:						
Districtwide property	$92,751	$9,101	$298,383	587	$109,142	509,964
Total general fixed assets	$92,751	$9,101	$298,383	$9,892	$109,142	$ 519,269

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Changes in General Fixed Assets
By Function and Activity
June 30, 1999
(Dollars in Thousands)

Function and Activity	General Fixed Assets July 1, 1998	Additions	Deductions	General Fixed Assets June 30, 1999
General managers group:				
General manager	$443	$14		$457
General counsel	29	3		32
Clerk of the board	60	9		69
Assistant general managers	78	2		80
Employee / labor relations	49	2		51
Development & training	145	3		148
Equal opportunity office	17	-		17
Employee services	17	-		17
Government relations	13	-		13
Public information office	65	5		70
Project management group:				
Office of project management	649	1,398		2,047
Water resources management group:				
Water resources group manager	15	-		15
Water supply policy & planning	-	3		3
Flood management policy & planning	18	-		18
Community project review	20	-		20
Underground storage tank program	57	-		57
Hydrology & geology services	2	-		2
Environmental resources management	5	2		7
Technical services	16	11		27
Laboratory services	6	-		6
Business resources group:				
Business resources group manager	74	106		180
Financial & systems services	-	11		11
General accounting	110	-		110
Information systems solutions	1,040	8		1,048
Information technology	1,453	173		1,626
Research & record services	107	-		107
Procurement & materials management	370	14		384
Business support services	150	-		150
Project development group:				
Project development manager	34	-		34
Project administration services	419	-		419
Construction administration	97	-		97
Facilities planning & design	402	44		446
Environmental compliance unit	-	2		2
Technical services	452			452
Real estate	37			37
Land surveying & mapping	67	44		111
Operations & maintenance group:				
Operations & maintenance manager	2	48		50
West watershed field unit	715	11		726
East / sough watershed field unit	13	6		19
Special projects field unit	-	4		4
Raw water field operations	-	4		4
Facility management unit	6			6
Facility operations unit	7			7
O&M technical support unit	17			17
Equipment management	98			98
Materials management unit	4			4
Other:				
Districtwide property	485,269	25,776	($1,081)	509,964
Total general fixed assets	$492,647	$27,703	($1,081)	$519,269

Santa Clara Valley
Water District



Santa Clara Valley Water District
San Jose, California

Statistical Section

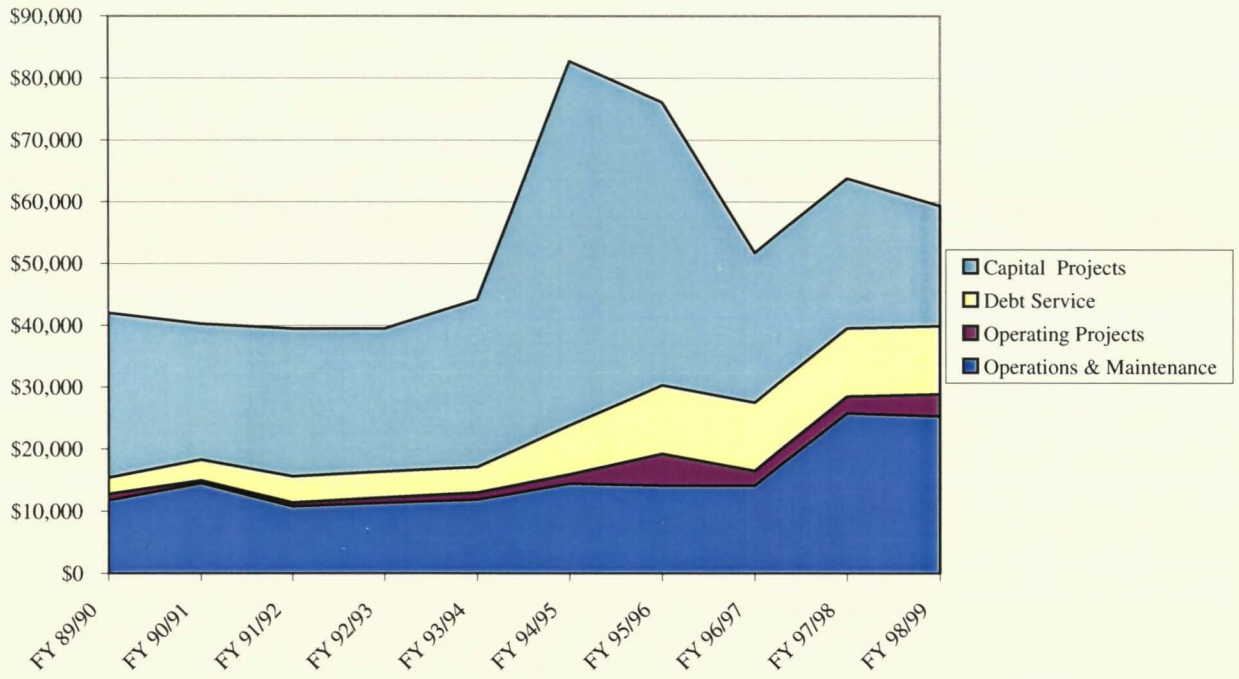
Table I

SANTA CLARA VALLEY WATER DISTRICT

General Governmental Expenditures by Function

Last Ten Fiscal Years

(Dollars in Thousands)



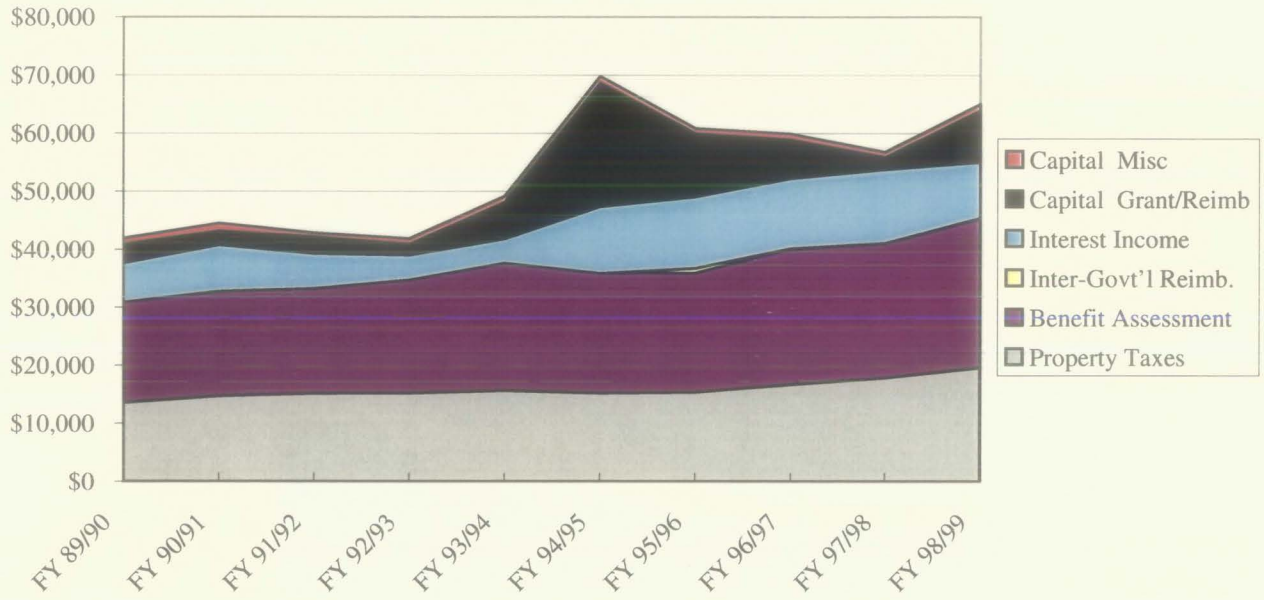
Fiscal Year	Operations & Maintenance	Operating Projects	Debt Service	Capital Projects	Total Expenditures
FY 89/90	$11,762	$1,033	$2,619	$26,570	$41,984
FY 90/91	14,466	481	3,338	21,972	40,257
FY 91/92	10,783	603	4,209	23,857	39,452
FY 92/93	11,344	864	4,178	23,073	39,459
FY 93/94	11,842	1,119	4,175	27,012	44,148
FY 94/95	14,436	1,507	7,886	58,892	82,721
FY 95/96	14,137	5,113	11,073	45,784	76,107
FY 96/97	14,128	2,363	11,050	24,199	51,740
FY 97/98	25,735	2,753	11,045	24,263	63,796
FY 98/99	25,309	3,549	11,047	19,403	59,308

Source: *Santa Clara Valley Water District Financial Services & Systems Unit*

Table II

SANTA CLARA VALLEY WATER DISTRICT

General Governmental Revenues by Source
Last Ten Fiscal Years
(Dollars in Thousands)



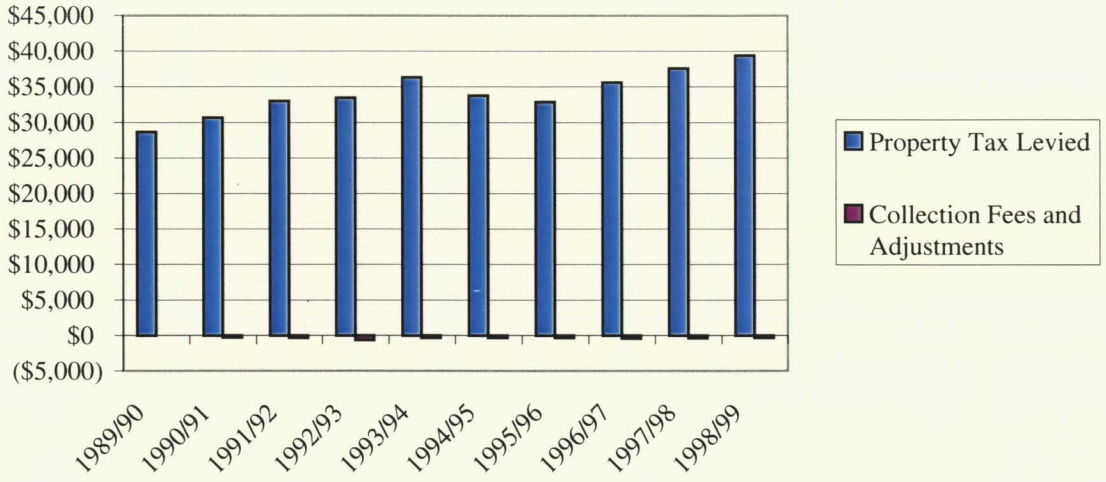
Fiscal Year	Property Taxes	Benefit Assessment	Inter-Govt'l Reimb.	Interest Income	Capital Grant/Reimb	Misc	Total
FY 89/90	$13,575	$17,269		$6,768	$3,295	$995	$41,902
FY 90/91	14,698	18,015		8,053	2,405	1,324	44,495
FY 91/92	15,145	18,089		6,028	2,882	685	42,829
FY 92/93	15,214	19,498		4,256	1,916	979	41,863
FY 93/94	15,641	21,953		4,194	6,378	964	49,130
FY 94/95	15,228	20,632		11,448	21,387	1,067	69,762
FY 95/96	15,398	20,515	$826	12,274	10,973	877	60,863
FY 96/97	16,673	23,341	112	12,068	6,715	975	59,884
FY 97/98	17,831	23,184	51	12,673	2,152	907	56,798
FY 98/99	19,591	25,711	82	9,613	8,965	1,068	65,030

Source: *Santa Clara Valley Water District Financial Services & Systems Unit*

Table III

SANTA CLARA VALLEY WATER DISTRICT

Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollars in Thousands)



Fiscal Year	Property Tax Levied	Collection Fees and Adjustments	Total Tax Collections	Ratio of Collections to Amount Due	Tax Rate
1989/90	$28,654		$28,654	100%	1.1473%
1990/91	30,638	($294)	30,344	99%	1.1451%
1991/92	33,016	(311)	32,705	99%	1.1577%
1992/93	33,449	(621)	32,828	98%	1.1376%
1993/94	36,342	(323)	36,019	99%	1.0958%
1994/95	33,739	(331)	33,408	99%	1.0989%
1995/96	32,874	(333)	32,541	99%	1.1071%
1996/97	35,615	(414)	35,201	99%	1.1019%
1997/98	37,591	(361)	37,230	99%	1.1406%
1998/99	39,373	(345)	39,028	99%	1.1206%

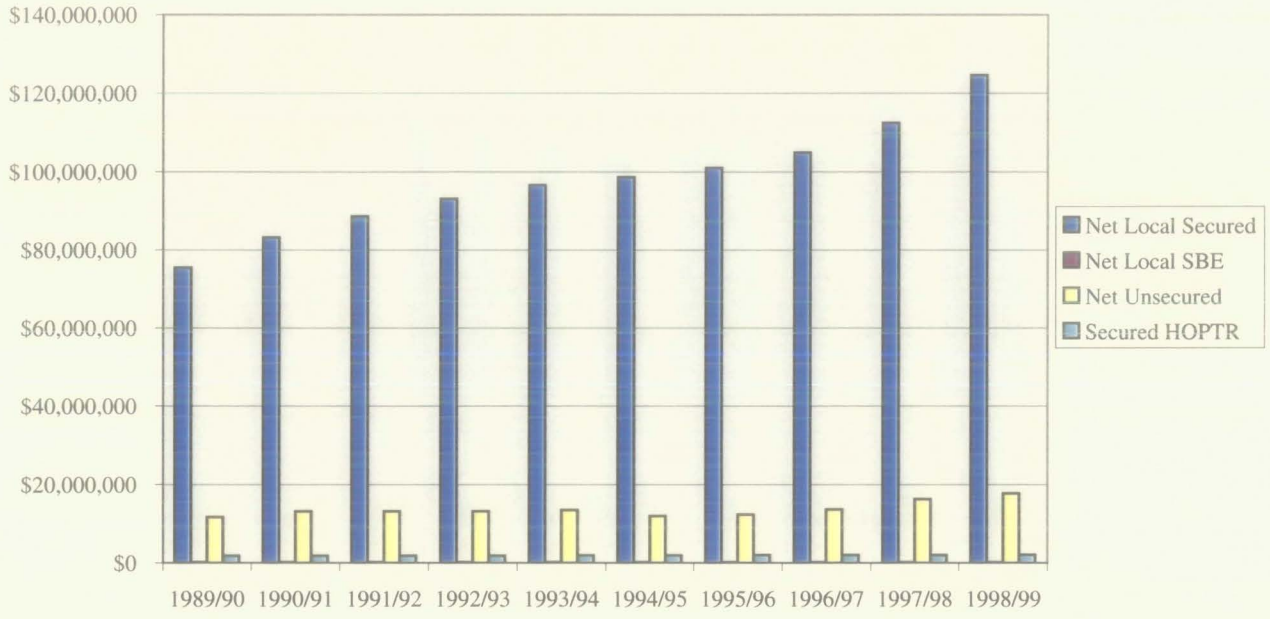
Note: The County of Santa Clara remits 100% of the secured property taxes assessed less administration fees. The County of Santa Clara then pursues collection of any delinquencies through the Teeter Plan.

Source: *Santa Clara County Tax Collectors Office*
Santa Clara Valley Water District Accounting Unit

Table IV

SANTA CLARA VALLEY WATER DISTRICT

Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years
(Dollars in Thousands)



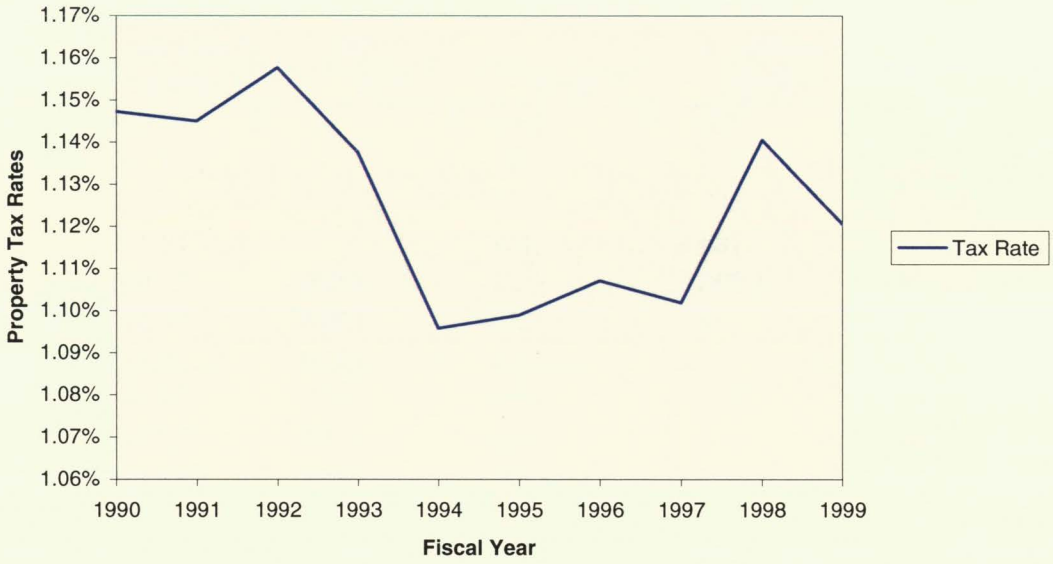
Fiscal Year	Net Local Secured	SBE	Total Secured	Net Unsecured	Total	Exempt Valuation Secured HOPTR	Total
1989/90	$75,388,415	$161,633	$75,550,048	$11,692,870	$87,242,918	$1,809,329	$89,052,247
1990/91	83,190,356	139,574	83,329,931	13,119,977	96,449,908	1,798,528	98,248,436
1991/92	88,516,850	148,697	88,665,547	13,117,126	101,782,673	1,809,269	103,591,941
1992/93	93,048,749	143,660	93,192,408	13,156,517	106,348,925	1,820,724	108,169,649
1993/94	96,529,421	142,002	96,671,423	13,449,735	110,121,158	1,868,300	111,989,458
1994/95	98,560,238	139,921	98,700,159	11,899,863	110,600,022	1,902,247	112,502,269
1995/96	100,915,246	128,150	101,043,396	12,326,717	113,370,113	1,921,599	115,291,712
1996/97	104,876,859	138,046	105,014,905	13,649,636	118,664,541	1,931,511	120,596,052
1997/98	112,459,768	130,203	112,589,971	16,196,939	128,786,910	1,971,741	130,758,651
1998/99	124,589,233	132,575	124,721,808	17,716,803	142,438,611	1,999,968	144,438,579

Source: *County of Santa Clara Department of Finance*

Table V

Santa Clara Valley Water District

Property Tax Rates-Direct and Overlapping Governments-Last Ten Fiscal Years



Fiscal Year	Basic County Wide Levy	County	Cities	Santa Clara Valley Water District	Schools and Other Districts	Total Tax Rate
1990	1.0000%	0.0381%	0.0027%	0.0113%	0.0952%	1.1473%
1991	1.0000%	0.0388%	0.0002%	0.0112%	0.0949%	1.1451%
1992	1.0000%	0.0388%	0.0000%	0.0121%	0.1068%	1.1577%
1993	1.0000%	0.0289%	0.0000%	0.0120%	0.0967%	1.1376%
1994	1.0000%	0.0305%	0.0000%	0.0117%	0.0536%	1.0958%
1995	1.0000%	0.0332%	0.0000%	0.0115%	0.0542%	1.0989%
1996	1.0000%	0.0338%	0.0000%	0.0098%	0.0635%	1.1071%
1997	1.0000%	0.0341%	0.0000%	0.0102%	0.0576%	1.1019%
1998	1.0000%	0.0388%	0.0000%	0.0098%	0.0920%	1.1406%
1999	1.0000%	0.0388%	0.0000%	0.0082%	0.0736%	1.1206%

Source: *County of Santa Clara, Department of Finance (tax rate area 40-042)*

Table VI

SANTA CLARA VALLEY WATER DISTRICT

Special Assessment Billings and Collections
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Current Assessment Billings	Prior Year Assessment Billings	Refunds	Collection Fees	Current Assessment Collected	Ratio of Collections To Amount Due
1989/90	$ 16,537	$ 786	$ (54)	$ -	$ 17,269	100.0%
1990/91	17,432	686	(16)	-	18,102	100.0%
1991/92	17,532	677	(27)	-	18,182	100.0%
1992/93	18,725	785	(12)	-	19,498	100.0%
1993/94	20,644	1,526	(12)	(205)	21,953	99.1%
1994/95	20,859	8	(26)	(209)	20,632	99.0%
1995/96	20,832	-	(111)	(206)	20,515	99.0%
1996/97	22,933	613	(52)	(153)	23,341	99.3%
1997/98	23,443	-	(24)	(235)	23,184	99.0%
1998/99	25,984	-	(13)	(260)	25,711	99.0%

Note: The County of Santa Clara remits 100% of the secured property taxes assessed less administration fees. The County of Santa Clara then pursues collection of any delinquencies through the Teeter Plan.

Source: *Santa Clara County Tax Collectors Office*

Table VII

SANTA CLARA VALLEY WATER DISTRICT

Computation of Legal Debt Margin
June 30, 1999
(Dollars in Thousands)

Maximum Allowable Short-Term Debt	$8,000
Outstanding Short-Term Debt, June 30, 1999	0
Legal Debt Margin on Short-Term Debt	$8,000

Note: The Santa Clara Valley Water District's debt issuance practices are governed under the California Government and Water Codes. The Codes do not set a formal debt limit for water districts, however, the special legislation which formed the Santa Clara Valley Water District (the District Act) provides for a special limit on short term debt (maturity of less than five years) of $8,000,000.

Table VIII

SANTA CLARA VALLEY WATER DISTRICT

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Population (1)	General Obligation Bonded Debt (2)	General Bonded Debt Per Capita (In Dollars)	Assessed Value (3)	Percentage of General Bonded Debt To Assessed Value
1989/90	1,463,530	$30,102	$0.02	$89,052,247	0.03%
1990/91	1,513,096	28,352	0.02	98,248,436	0.03%
1991/92	1,531,796	26,557	0.02	103,591,941	0.03%
1992/93	1,563,800	24,702	0.02	108,169,649	0.02%
1993/94	1,581,700	22,736	0.01	111,989,458	0.02%
1994/95	1,594,800	20,979	0.01	112,502,269	0.02%
1995/96	1,620,700	19,460	0.01	115,291,712	0.02%
1996/97	1,653,100	17,850	0.01	120,596,052	0.01%
1997/98	1,689,908	16,175	0.01	130,758,651	0.01%
1998/99	1,715,400	14,425	0.01	144,438,579	0.01%

Source: *(1) State of California Department of Finance*
(2) Santa Clara Valley Water District Treasury Office
(3) Santa Clara County Department of Finance

Table IX

SANTA CLARA VALLEY WATER DISTRICT

Ratio of Annual Debt Service
Expenditures for General Obligation Bonded Debt to
Total Governmental Fund Type Expenditures
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Principal	Interest	Total Debt Service *	Total Governmental Fund Type Expenditures **	Ratio of Debt Service to Governmental Expenditures
FY 89/90	$1,750	***	$1,750	$41,984	4.17%
FY 90/91	1,795	$945	2,740	40,257	6.81%
FY 91/92	1,855	884	2,739	39,452	6.94%
FY 92/93	1,966	821	2,787	39,459	7.06%
FY 93/94	1,756	1,001	2,757	44,148	6.24%
FY 94/95	1,756	935	2,691	82,721	3.25%
FY 95/96	1,520	871	2,391	76,107	3.14%
FY 96/97	1,610	805	2,415	51,740	4.67%
FY 97/98	1,675	736	2,411	63,796	3.78%
FY 98/99	1,750	664	2,414	59,308	4.07%

* Includes Enterprise Fund

** Includes General, Special Revenue and Debt Service Funds

*** Due to financial system conversion, separate interest expenditures were not determinable from prior records.

Source: Santa Clara Valley Water District General Accounting & Financial Services & Systems Units.

Table X

SANTA CLARA VALLEY WATER DISTRICT

Revenue Bond Coverage
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Adjusted Revenue	Adjusted Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Factor
				Principal*	Interest	Total	
1994/95	$71,512	$36,806	$34,706	$6,029	$3,089	$9,118	3.8063
1995/96	73,670	45,313	28,357	5,799	2,976	8,775	3.2316
1996/97	81,415	49,225	32,190	6,045	2,735	8,780	3.6663
1997/98	74,186	38,639	35,547	6,230	2,466	8,696	4.0877
1998/99	79,591	56,051	23,540	6,520	2,170	8,690	2.7089

Source: (1) *Santa Clara Valley Water District General Accounting Unit*
(2) *Santa Clara Valley Water District Treasury Office*

* Does not include debt service on general obligation debt

** In July 1994, the District refunded its outstanding water revenue bonds and restructured its debt convenants under a Master Resolution governing the issuance of all Water Utility System debt obligations. This restructuring of debt convenants, included the method of calculating revenue bond coverage. Accordingly, the inclusion of data prior to fiscal year 1994/95 would not be comparable and has been omitted.

For fiscal year 1998/99, operating revenue of $79,591 has been increased by $9,340 and operating expense of $56,051 has been decreased by $22,575 as prescribed by the Master Resolution. These adjustments relate primarily to intergovernmental revenues and depreciation and amortization. The complete calculation can be obtained from the Finance Department at 5750 Almaden Expressway, San Jose, CA 95118.

Table XI

SANTA CLARA VALLEY WATER DISTRICT

Computation of Direct and Overlapping Debt
June 30, 1999

1998/99 Assessed Valuation	$144,438,579,179
Redevelopment Incremental Valuation:	16,543,881,874
Adjusted Assessed Valuation:	$127,894,697,305

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/99
Santa Clara County Flood Control and Water Conservation District, Zones W-1 and NC-1	100%	$ 14,425,000
Milpitas Unified School District	100%	42,200,000
Palo Alto Unified School District	100%	120,495,000
East Side Union High School District	100%	77,574,912
San Jose Unified School District	100%	78,669,561
Santa Clara Unified School District	100%	47,500,000
Unified School District Lease Tax Obligations	100%	30,055,000
Fremont Union High School District	100%	40,000,000
Campbell School District	100%	43,018,307
Cupertino Union School District	100%	69,799,994
Evergreen School District	100%	50,974,624
Saratoga School District	100%	40,629,173
Los Altos Union School District	100%	40,000,000
Other School Districts	100%	279,245,875
City of Saratoga	100%	265,000
Midpeninsula Regional Park District	69.8%	16,804,736
Parking Districts	100%	7,396,000
Community Facilities Districts	100%	11,855,000
City of San Jose Special Assessment Bonds	100%	80,264,300
City and Special District 1915 Act Bonds (Estimated)	100%	117,821,874
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		**$ 1,208,994,356**
Less: Santa Clara County Flood Control and Water Conservation District, Zone NC-1		1,085,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		**$ 1,207,909,356**

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:	% Applicable	Debt 6/30/99
Santa Clara County General Fund Obligations	100%	$ 603,970,000
Santa Clara County Office of Education Certificates of Participation	100%	20,155,000
Foothill-DeAnza Community College District Certificates of Participation	100%	36,304,996
Other Community College District Certificates of Participation	Various	22,022,362
Gilroy Unified School District Certificates of Participation	100%	13,440,000
San Jose Unified School District School Certificates of Participation	100%	28,130,000
Cupertino Union School District Certificates of Participation	100%	13,040,000
Other School District General Fund Obligations	Various	36,210,646
City of Campbell Certificates of Participation	100%	23,580,000
City of Cupertino Certificates of Participation	100%	50,130,000
City of Mountain View General Fund Obligations	100%	29,464,197
City of San Jose General Fund Obligations	100%	297,814,898
City of Santa Clara General Fund Obligation	100%	55,420,000
City of Sunnyvale General Fund Obligations	100%	28,090,000
Other City General Fund Obligations	100%	20,131,000
Mid-peninsula Regional Park District Certificates of Participation	69.8%	52,732,669
Santa Clara Valley Water District Certificates of Participation	100%	129,715,000
Other Special District General Fund Obligations	100%	6,066,445
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		**$ 1,466,417,213**
Less: Cities of San Jose and Mountain View Certificates of Participation (100% self-supporting from tax increment revenues)		198,495,000
El Camino Hospital Authority		2,505,000
TOTAL NET DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT		**$ 1,265,417,213**
GROSS COMBINED TOTAL DEBT		*(1)* **$ 2,675,411,569**
NET COMBINED TOTAL DEBT		**$ 2,473,326,569**

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

RATIOS TO ADJUSTED ASSESSED VALUATION

Combined Direct Debt ($129,715,000)	0.10%
Gross Combined Total Debt	2.09%
Net Combined Total Debt	1.93%

Source: *Prepared for the Santa Clara Valley Water District by California Municipal Statistics, Inc.*

Table XII

SANTA CLARA VALLEY WATER DISTRICT

Principal Taxpayers of Santa Clara County
June 30, 1999
(Dollars in Thousands)

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation
Hewlett-Packard Company	$1,308,674	0.91%
International Business Machines Corporation	1,273,068	0.88%
Pacific Bell	1,150,901	0.80%
Lockheed Missiles and Space Co. Inc.	1,078,619	0.75%
Pacific Gas and Electric Company	1,030,162	0.71%
Intel International	931,198	0.64%
Sobrato Interests	920,578	0.64%
Spieker Properties LP	589,773	0.41%
Peery, Richard T. Trustee & Et Al	582,099	0.40%
Advanced Micro Devices Inc.	439,318	0.30%
Total assessed property valuation, secured net	$9,304,390	6.44%
Total Santa Clara County assessed property valuation	$144,438,579	

Source: *Santa Clara County Tax Collector, Systems Division*

Table XIII

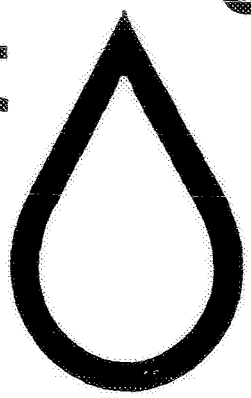
SANTA CLARA VALLEY WATER DISTRICT

Demographics

Established	1929
Service Area	1300 square miles, (15 cities)
Population Served	1.7 million
Facilities:	
Acres of groundwater recharge ponds	393
Miles of canals	17.3
Miles of pipeline	142
Miles of tunnels	8.4
Number of treatment plants	3
Number of pumping stations	3
Number of treated water reservoirs	1
Number of reservoirs	11
Total district reservoir capacity	169,415 acre feet
Public and private water retailers served	14
Water demand per fiscal year:	
District-provided water	274,000 acre feet
County-wide usage	350,000 acre feet
Miles of creeks and rivers managed for flood control	700
Number of employees	556
Average years of service of employees	10.24

Source: *Santa Clara Valley Water District Public Information Office*

Santa Clara Valley
Water District



Santa Clara Valley Water District

5750 Almaden Expressway
San Jose, California 95118-3686
(408) 265-2600 • Fax (408) 266-0271

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